# FINANCIAILMES



Why Juppé has got it right

Samuel Britten, Page 14

Japanese banks

Leaders pull clear of pack



Car industry Robots' role on the line

Technology, Page 10



**Nuclear industry** The legacy

of Chernobyl Survey, pages 23-26

THURSDAY DECEMBER 7 1995

#### Former Japanese minister arrested after fraud probe



minister Toshio Yamagu chi (left) was arrested on charges of breach of trust in connection with two failed financial institutions. He gave himself up to prosecutors after his parliamentary immunity was waived. Mr Yamaguchi, only the sec-ond Japanese member of parliament to be arrested

in the past 28 years, said: "I had thought very carefully about committing hara-kiri (ritual suicide) over this, but I overslept this morning." Page 16; Arrest part of tale of Japanese 'bubble,' Page 6

US negotiator for Balkans: Chief US negotiator Richard Holbrooke will visit former Yugoslavia this weekend to calm Bosnian Serb concerns about the Dayton peace accord, the State Department said. Bosnia force has double agenda Page 3; Croatian privatisation battle, Page 18

More top jobs at World Bank: Two extra managing directors are expected to be appointed at the World Bank next week despite scepticism among its shareholder governments, many attempting to cut administrative costs at home. Page 16

EU lifts fish ban: The European Union lifted a nine-month ban on Japanese fish imports worth just under Ecu20m (\$26.2m) a year, citing improvements in hygiene controls at Japanese refrigerated depots. Page 3

China resumes WTO talks: Chinese officials in Geneva today resume protracted negotiations to press their case for China's entry into the World Trade Organisation with problem areas still remain-

Bid to end Syria talks deadlock: Israel is working on a new negotiating strategy to break a four-year deadlock in peace talks with Syria. Prime minister Shimon Peres will present it to US presi-dent Bill Clinton in Washington next week. Page 5

Rwanda orders out aid agencies: The Rwandan government ordered 38 western non-

governmental organisations to leave the country. They were accused of misconduct, including selling relief supplies on the market.

Australia's innovation push: Australia is to spend A\$495m (US\$381m) over the next four years on measures to encourage its industry to be more innovative and to improve its capacity to compete in higher-technology sectors. Page 6

KLM. Dutch national carrier, is close to buying a 26 per cent stake in Kenya Airways, marking its first alliance in Africa and the first airline privatisa tion in sub-Saharan Africa, Page 17

EU-style works councils backed: The UK Engineering Employers' Federation is to urge mem ber companies to adopt the European Union's works council directive even though the UK's optout from the Maastricht treaty social chapter means the regulation does not apply. Page 8

Two held in Bouygues probe: Two senior executives of French building and communications group Bouygues. Bouygues-Telecom managing director Patrick Leleu, and group treasurer Philippe Renaud. are being investigated over possibile cor-ruption related to alleged false invoicing.

Italian telecoms challenge: Telecom Italia Mobile, Italy's state-controlled mobile telephone operator, will face open competition for the first time from today, from privately-owned Omnitel Pronto Italia. Page 19

Violence mars Egyptian elections: At least 12 people died during parliamentary elections in Egypt. There were reports of widespread fraud by police and supporters of President Hosni Mubarak's ruling National Democratic party.

Panandroos operation: Greek prime minister Andreas Papandreou, in hospital with pneumonia for 17 days, underwent a tracheotomy operation to help his breathing.

Duchess's jewels found: The Duchess of York's \$250,000 (\$385,00)) diamond necklace and bracelet, missing from her luggage when she flew home from the US, were recovered. New York buggage handler Gilbert Terrero. 19. was released on \$75,000 bail after appearing in court on a theft

Italian painting fetches \$8m: Orazio Gentileschi's painting "The Finding of Moses" fetched £5.06m (\$6m) at Sotheby's in London, a record price for the 17th century Italian artist.

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O THE FINANCIAL TIMES LIMITED 1995 No 32,852 Week No 49

Drop in business confidence across Europe reflects recession worries

## Fears over fall in German output

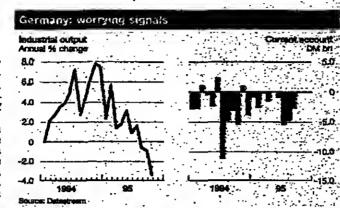
By Wolfgang Münchau in Frankfurt and Gillian Tett

The output of German industry declined markedly during Octo-ber, according to provisional data released yesterday which under-lined the continued weakness of the German economy.

The data came as a European Commission survey found a rise in pessimism among German businesses. The fall in confidence was echoed across Europe, reflecting fears that a reces in Germany would have knock-on effects in other countries.

In the UK, official figures yes-terday showed that overall indus-trial production fell a seasonally adjusted 1 per cent in October. However, this was officially blamed largely on the unusually mild temperatures which reduce gas and electricity output.

The fall in German production came despite a strong rise in exports, which increased by 6.5



The consensus view among German economists is that the figwere consistent with other evidence pointing towards a period of slow growth, though

The figures were widely anticipated by economists but created unusual uncertainty because of

US index drops

The official index of US leading Indicators dropped sharply in October, prompting renewed speculation that the Federal eserve may cut short-term interest rates later this month. The Commerce Department said the index - designed to pre-

dict business cycle troughs and peaks – fell 0.5 per cent. Meanwhile, the Fed's latest. "beige book" assessment of regional business conditions pointed to slower growth Page 7

the Federal Statistics Office pres-

Separately, the European Commission survey found that 11 per cent of German businesses were re pessimistic than optimistic in November, up from 10 per cent in October, and 1 per cent in June. Companies in Belgium, Italy, UK, France and Spain have

all become more gloomy over the last two months. The Commission'e Europewide measure based on 28,000 businesses in 12 countries - has shown an accel-erating drop in confidence over the autumn, after declining

gently since the start of the year.
A balance of 8 per cent of foropean companies were more gloomy than optimistic in November, compared with 6 per cent in October. Today, the German statistics

office will publish preliminary third-quarter gross domestic product figures, which many economists expect to show zero growth, or even a small decline.

The trade surplus rose from DM55hn (\$38hn) in the first nine of months of 1994 to DM67.5hn in the same period this year. In September, exports were up 6.5 per cent, compared to September 1994 while imports were up 2.2 per cent. The statistics are

Continued on Page 16

## Caltex to pull out of Nippon Oil joint venture

By William Dawkins in Tokyo

Caltex Petroleum, the US oil refining and marketing group, is to pull out of its 44-year-old joint venture with Nippon Oil, Japan's largest oil products distributor.

Nippon Oil has reluctantly agreed to pay Y200bn (\$2bn) for Caltex's 50 per cent stake in their joint refining and importing company, Nippon Petroleum Refin-ing, by the end of next March. Caltex said yesterday it wanted to focus more on Asian countries "with substantial economic growth potential."

Joint ventures between Japanese and foreign oil companies are the staple of Japan's oil import system, formed soon after the second world war. This is the first dissolution of such a ven-

Industry analysts heralded it as a prelude to a general shake-up among Japanese oil companies -all refiners and distributors - in the run-up to the liberalisation of

oil imports next spring. This is expected to provoke another collapse in prices in a near-stagnant market. Demand for refined products like petrol is growing at less than 4 per cent annually, according to the petro-leum association of Japan.

The break-up triggered alarm across the Japanese oil industry. and caused the government's natural resources and energy agency to issue a statement that imports, on which Japan is dependent for its entire oil supply, would not be

. The price of petrol, the main source of Japanese oil companies' profits, has fallen by a fifth in the past four years, because of a sur-plus of petrol stations, and is expected to fall even faster after imports are freed, according to

Baring Securities in Tokyo.

Nippon Oil's group taxable profits fell by 27 per cent last year and are forecast by the company to fall by another 16 per cent this year.

The group's low dividends, a feature of many Japanese quoted companies' belief in retaining a high proportion of earnings, are also understood to have

Continued on Page 16

#### per cent during September. The data suggest strong export sales are alleviating some of the effects on industry of weak domestic Yesterday's data showed panwell short of a recession. German industrial production in October 1.6 per cent below September's level, and 3.4 per cent below the same month last year.

## EU competition officials to probe online alliance

By Emma Tucker in Brussels

European competition officials are to investigate a planned alliance of Bertelsmann, Deutsche Telekom and America Online to provide European personal computer users with online services, such as electronic mail and interactive games.

The European Commission fears that the emerging elec-tronic multimedia industry could be dominated by alliances between large companies even before the market is fully liberal-

Mr Karel Van Miert, the competi-tion commissioner, to order an investigation into the consortium of America Online, the US's leading online company; Bertels-Germany's and Europe's biggest publishing gronp; and Deutsche Telekom, Germany's dominant telecoms supplier and Europe's higgest telecoms com-

"We need to find out whether such a venture will have adverse effects on other competitors." said Mr Van Miert yesterday. This is the third such project being scrutinised by Brussels. It has already opened inquiries into Europe Online, an elliance between Burda, the German publisher, and several Luxembourg financial institutions, and into Microsoft Network.

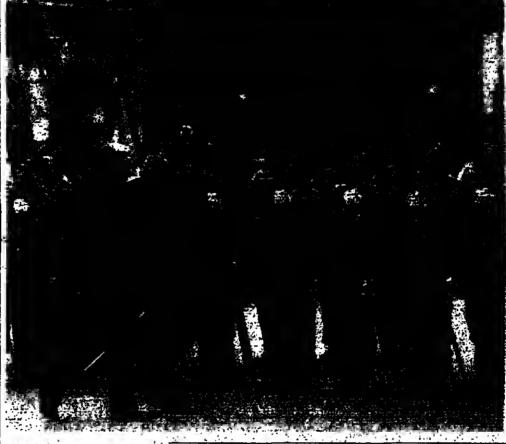
Last year the Commission blocked a deal between Bertels-mann, Deutsche Telekom, and Kirch, the German television

Brussels argues that markets must be properly liberalised before dominant players can be allowed to join forces. "We can't risk that multimedia markets are sewn up by defensive commercial moves before they are even opened to competition," it said. However, the Commission has

been criticised for being over-cau-tious and interfering with deals that are crucial for the development of Europe's information

Officials stressed that the inquiry in no way final position of the Commission". It said it wanted to create conditions for the greatest possihle innovation, including alliances and joint ventures, while respecting competition rules.

The planned agreement envisages cross shareholdings between America Online and Bertelsmann on the one hand and Telekom Online, Deutsche Telekom's subsidiary, on the other.



Italian prime minister Lamberto Dini (left) and his British comterpart John Major review the honour guard in front of Palazzo Vacchio in Florence's Signoria Square. Mr Major is in Florence for the first Anglo-Italian summit in five years Inflation at 6% Continued on Page 18 | in Italy, Page 3. Pour Associated Prope

## French strikes to overshadow Chirac's meeting with Kohl

By David Buchan in Paris

French President Jacques Chirac will today meet Chancellor Helmut Kohl in Germany to discuss plans for European monetary union at a meeting overshadowed by continued union strikes and protests at public sector reforms in France.
After a relative full yesterday.

France's strike movement is set to regain momentum today with teachers, hospitals, some airline staff and air controllers joining in the protests. The national rail stoppage enters its 14th day, while the Paris public transport system remains at a standstill. Mr Chirac will fly to Baden-Baden, ironically the same town which President Charles de Gaulle visited at the height of the May 1968 troubles in France to consult army commanders of

French troops stationed there. The French and German leaders are expected to issue a joint call for next year's intergovernmental conference to improve decision making in the European

and security policies.
With their finance ministers on

hand, Mr Chirac and Mr Kohl are also likely to discuss the forthcoming decisions relating to European economic and monetary union (Emu) due to be taken at next week'e Madrid summit.

But Mr Chirac's public determi-

nation to ensure that France qualifies as a founder-member of Emu risks being undermined by his domestic crists.

Mr Charles Pasqua, e Gaullist ex-minister, yesterday suggested that France would do better to postpone Emu into the next century, and criticised his fellow Gaullist, Mr Alain Jnppé, the prime minister, for trying to "run the country like a [company] board". Mr Pasqua said the French people needed "hopes, dreams and passion" to inspire them, not endless emphasis on deficit cuts dictated by the Maas-

tricht treaty on Emu. Meanwhile, the CGT and Force Ouvrière (FO) federations leading the strikes complained that Mr

Union and reinforce its foreign
and security policies.

Juppe had delegated to his labour
ministry the task of consulting, as distinct from negotiating, with

Mr Marc Blondel, the FO president who is calling for the complete withdrawal of the Juppé welfare reforms, said he wanted to negotiate "directly with the Both the CGT and FO are boy-

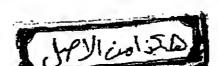
cotting the commission set up by the government to recommend possible changes in the special pension arrangements for the country's 5.9m civil servants and public sector workers. In the rail sector, only manage

ment unions have said they will appear before the commission, pledging to exercise "the greatest vigilance" in protecting railwaymen's rights. At the higher level of union federations, only the moderate CFDT and CFTC federations have

agreed to meet the commission. Juppé counter-offensive is little and late. Page 3 Samuel Brittan, Page 14 LE PETIT-FILS DE L-U. CHOPARD LUC FABRIQUE D'HORLOGERIE SOIGNEE

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By Bruce Clark in Brussels

Nato's giant peace implementation exercise in Bosnia could provide some practical answers to European defence problems that might never be solved on the drawing board, alliance officials said yesterday.

The 60,000-strong mission, involving 15 of Nato's 16 members and np to 17 other countries, is being seen as a trial run for security co-oparation throughout the continent.

"Ifor (the implementation force for Bosnia) will not only be of benefit to former Yugoslavia," said one Nato official at a meeting in Brussels of foreign ministers from Nato and the former Warsaw pact. "It could be . . . the genesis of the new European

If all goes to plan, the Bosnia force

will provide the western nations with a way of finessing an issue that has hitherto proved intractable: bow to include some ex-communist nations as full members of the western security system while maintaining relations with Russia?

But the reverse also applies, observers are warning: if the force is a failure, the prospects for a "new European architecture" will have darkened to the point where not even elaborate metaphors based on house-huilding can save them.

Exactly a year ago, Nato was plunged into disarray after the derailing of its twin-track strategy of incorporating new members while building a relationship with Russia. Moscow abruptly froze relations with Nato in protest at US-inspired plans to accel-

By Caroline Southey

France, Germany and Britain

face the greatest threat from

open skies" agreements which

six smaller EU countries have

signed with the US this year,

according to a report prepared

by the European Commission.
The accords granting full
mutual market access which

Belgium, Luxembourg. Swe-

den, Finland, Denmark and

Austria have signed could

mean that France, Germany

and the UK lose market share

as passengers choose to fly

from airports in those states. The six accords could also

erode the protection the three

countries' enjoy in their own

US bilateral agreements.

Foreign ministers from the 53-nation Organisation for Security and Co-operation in Europe (OSCE), which will play a key role in implementing the security and human rights aspects of the Dayton peace settlement, meet in Budapest today, writes Anthony Rohinson in

The OSCE, which includes all the former Soviet republics, has been given the responsibility of working out a "common and comprehensive security model for Europe in the

Now the Bosnia force will give Russia, Ukraine and all the central European countries which aspire to join Nato, a chance to prove their credentials as partners in keeping Europe

peaceful. The two ex-communist countries that have offered combat troops, the Czech Republic and Poland, happen to be the two prime candidates for Nato membership - in the event that next year's US elections are won by a president who favours launching the enlargement process in 1997. Russia, for its part, appears to have taken satisfaction from western signals that there will be no concrete moves

towards enlargement in 1996. Mr Andrei Kozyrev, the Russian foreign minister, yesterday confirmed Moscow's position - "yes to partnership (with Nato), no to enlargement"
- after a friendly meeting with Mr
Warren Christopher, the US secretary

Mr Christopher has described as "nonsense" a claim by a well-in-formed Washington commentator, Mr

try's bilateral accords with the

US. This protection includes

that US carriers can serve, the frequency with which US carri-

ers can fly in the bilateral mar-

ket, and pricing and airport

The report says US airlines, through open skies deals, will be able to use an EU airline to

carry their own passengers

It cites the effect the deal between KLM and North West

Airlines, signed in 1992, had on

the German market. Although

the total number of passengers travelling from Germany to the

US had remained stable over

the past three years, the num-

ber of German passengers trav-

elling via Amsterdam bad

anywhere in the EU.

restrictions on bilateral routes

Brussels concern over air deals

Report fears smaller EU nations have opened door to US airlines

The findings appear in an

analysis of the economic implications and form part of the campaign by Mr Neil Kinnock,

the transport commissioner, to

secure the right to negotiate with the US on behalf of all 15

EU countries. Mr Kinnock will

discuss the report's conclu-

sions with EU transport minis-

eral deals are likely to create

an open skies environment which will mainly benefit US

carriers. It points out that lib-

eralisation of the EU's internal

market, to be completed in 1997

when carriers will be able to

operate freely between and

within all member states, will

erode the effectiveness of pro-

tection built into each coun-

The report warns that bilat-

ters today.

Peter Rodman, that Russia agreed to co-operate with the US on Bosnia after receiving an assurance that Nato expansion would be put on ice. But with or without such a deal, Russia does appears to have slightly reduced the volume of its anti-Nato rhetoric.

Michael Lindemann in Bonn adds: The German parliament yesterday backed by a surprisingly large majority the deployment of 4,000 German troops in former Yugoslavia.

Both the opposition Social Democrats and the Greens oppose in principla the use of German troops outside Germany, hat many deputies from both parties voted with Chancellor Helmut Kohl'a coalition government. The motion was carried by 543 of the 656 votes. The broad consensus is a

risen by about 80 per cent.

Although the English Chan-nel means that fewer UK pas-

sengers will use other Euro-pean airports to fly to the US,

the market remains vulnerable

as 30 per cent of passengers

using London airports in 1991

were connecting passengers while 16 per cent began or

ended their journey elsewhere

The report also pinpoints

weaknesses in the six open

skies deals, arguing that inade-

quate answers are given to

cabotage rights under which a

foreign airline can carry pas-

sengers within another coun-try, and "7th freedom" rights,

under which an airliner from a

third country can carry passen

gers between two countries.

in Europe.

EUROPEAN NEWS DIGEST

## Stakes raised over Irish Steel

Mr John Bruton, Ireland's prime minister, yesterday raised the stakes in the row with Britain over state aid for Irish Steel, the country's only steel mill, by seeking backing for an early meeting of European Union industry ministers to resolve the issue. Speaking in Brussels after a meeting of EU ambassadors, Mr Bruton accused the British of adopting an "unjustified" position in opposing IE37m (\$43m) in state aid to save the loss-making plant in Cork. Mr Ian Lang, Britain's trade and industry secretary, could veto the state aid in the EU council of ministers. A senior UK minister yesterday said: "The chances of our not using the veto are pretty remote."

The chances of our not using the veto are pretty remote."

The UK is concerned that the aid will lead to job losses at British Steel's plant at Shelton in Staffordshire. Mr Lang told MPs in the House of Commons: "Wa cannot contemplate a situation in which jobs in Britain should be lost in order to save jobs in Ireland." London is looking for assurances that: Irish Steel will divert an increased proportion of its sales to markets outside the European Union and that production at its Cork plant will be limited.

Dublin has offered to limit production to 350,000 tonnes of finished products for five years and to commit the company to selling up to 9 per cent of its output outside the EU. Currently all but 2 per cent of the 243,000 tonnes of construction steel it produces is sold within the Union.

John Murray Brown, Dublin, and Robert Peston, London

#### Russian budget clears hurdle

Russia's 1996 federal budget was approved yesterday by the lower bouse of parliament, providing reassurance that economic reform will remain on track despite the political blizzard surrounding this month's parliamentary elections. More than 1,000 amendments were discussed since the

budget bill's first reading, with more money being allocated to defence, agriculture, law enforcement and housing needs. However, corresponding spending cuts to the state administration and regional support budgets were also auministration and regional support budgets were also proposed, leaving the overall deficit at about the same level. Although the budget draft has now overcome the toughest parliamentary obstacles it has still to receive final approval from the upper house of parliament.

Mr Anatoly Chubais, first deputy prime minister in charge

of economic policy, said implementation of the budget would allow Russia to cut next year's inflation rate to 1.9 per cent a month and reignite economic growth. But he expressed disappointment that parliament had also passed a heavily. amended version of the production-sharing agreement, which is seen as critical for foreign investment in the energy sector. Mr Chubais said the law was simply imworkable given parliament's demands to approve every large investment project.

John Thornhill, Moscou

#### Papandreou has operation

Mr Andreas Papandreou, the Greek prime minister, underwent surgery yesterday to relieve breathing problems after spending eight days on a respirator. Doctors at the Onasseion Cardiac Hospital performed a tracheotomy, which involves piercing tha windpipe, because the 76-year-old politician had failed to respond sufficiently to treatment aimed at strengthening his lungs.

Mr Papandreou was taken to bospital on November 20 with

pneumonia. Although the infection has receded, he is still in serious condition and is expected to stand down as prime minister. The succession struggle in the governing Panhellenic Socialist Movement is intensifying as half a dozen past and present cahinet ministers contesting the leadership past and present carnies annual and parliamentary seek backing from party officials and parliamentary denuties.

Kerin Hope, Athens

## Dini-Major summit on Emu

The British and Italian governments tried to harmonise their positions on the future of European monetary union at a one-day summit in Florence yesterday. Mr John Major and Mr Lamberto Dini, the two prime ministers, endorsed concerns that the implications of the third phase of monetary union due in 1999 needed to be studied in more depth. Their cautious approach underlined concern that Germany's desire to accelerate monetary union risks creating a serious divide

Italy at present is unlikely to be able to meet the criteria to qualify for the next stage of monetary union and is increasingly nervous about being excinded from the hard core

of qualifying northern countries formed round Germany.
The summit was held the day before President Jacques. Chirac was due to hold a crucial meeting with Chancellor Helmut Kohl to consider co-ordinating policy towards monetary union and the forthcoming intergovernmental conference on the future of the EU.

#### Italian ex-minister's appeal fails Italy's constitutional court yesterday rejected a petitinn from

Mr Filippo Mancuso, the former justice minister, which sought to annul his dismissal following a parliamentary vote of no-confidence. The decision closes an embarrassing chapter that nearly brought down Mr Lamberto Dini's government in

A vote of no-confidence in Mr Mancuso, a former judge, was passed in the Senate after he had refused to drop his belligerent stance towards the nation's investigative magistrates. During the debate Mr Mancuso insulted President Oscar Luigi Scalfaro and hinted he had material to blackmail both him and the government. He was strongly supported by the rightwing alliance besded by Mr Silvio Berlusconi, the former prime minister.

Mr Mancuso challenged the decision on grounds that parliament could not pass a motion of no-confidence in an individual minister. He hinted again yesterday be possessed damaging information about the government. Robert Graham

#### Inflation at 6% in Italy

Annual % change in CPI

per cent in November by istat, the official statistics institute. The financial markets had feared the final figure might prove higher than the 6 per cent published 10 days ago on the basis of data from the main cities. Union norm, and well above

rate has been confirmed at 6

continued inflationary pressures could easily be reflected in higher wage demands. Consumer prices rose 0.6 per cent in November against the month before, the second consecutive monthly rise after apparently levelling off during the summer On this basis, January-November inflation averaged 5.4 per cent, a figure Istat expects for the year's end, against a 3.5 per cent target. The main push behind November inflation is believed to have been a 3 per cent increase in car list prices.

November from a year earlier, and 0.1 per cent against

## Persson looks just the man for the job

By his own reckoning, be said No five thousand times. But in the end Mr Göran Persson, Sweden's burly finance minister, said Yes with unabashed alacrity when the country's floundering Social Democratic party appealed to him officially to succeed Mr Ingvar Carlsson as prime minister and party leader next

His decision on Tuesday night was remarkable only because of the vehemence with which Mr Persson, 46, bad insisted in public, right op to the last minute, that be would not take the job. He never sought to avoid the question. On the contrary, be appeared to relish thoroughly confusing. if not misleading, the electorate about his Intentions. regardless of the effect on his future credibility.

#### Sweden's new premier-to-be stands out in an otherwise colourless cabinet, writes **Hugh Carnegy**

Mr Persson was the outstanding candidate to take over from Mr Carlsson once Ms Mona Sahlin, the original favourite, was caught committing the fatal sin for the high-minded Social Democrats of using her government credit card for pri-

vate spending. Along with Ms Sahlin and Ms Margareta Winherg, the felsty but unacceptably leftwing agriculture minister. Mr Persson stood out in an otherwise colourless cabinet as a figure of real political stature.

His dogged commitment to administering the tough fiscal medicine needed to rescue Sweden from an acute crisis in the public finances bas anchored Mr Carlsson's minorlty government through a bard year since the SDP returned to power in October 1994. The recent dramatic improvement in the budget deficit - the state debt is to be stabilised this year, two years ahead of schedule - and an upswing in economic growth have burnished

Mr Persson's reputation. The takeover from Mr Carlsson will not be immediate. In theory, a rival candidate may yet emerge to challenge Mr Persson, who is far from popular among the grassroots and left wing of the party, upset by the cuts he bas made in welfare spending.

But that appears unlikely, given the unanimous backing be received from the SDP leadership selection committee, which included all the national party district chiefs. If all now goes to plan, Mr Persson will be formally elected at a con-

son retires. He is not expected to reveal the make-up of his government for some weeks. However, the approach be will take to the key task of remoulding Sweden's big, but battered, welfare

Mr Persson bas been a leading figure within Social Democratic ranks arguing that Sweden had built in the 1970s and 1980s a public sector that had ontgrown the economy'a ability to pay for it.

He has not hesitated to cut cherisbed payments such as child benefits and unemployment pay (the latter has been reduced from 90 per cent of previous salary to 75 per cent to bowls of outrage from the trade unions). He says be is prepared for some easing of the tax burden - the second highest in Europe after Denmark once the public finances are

But Mr Persson is still committed to maintaining an egalitarian, welfare society, based on redistribution of wealth and universal benefits. He wants the private sector share of the economy to grow, so that the public sector can be secured

society as we have built it -

hut it has to be solidly based." This attitude has nevertheless failed to reassure many in the SDP who see Mr Persson as a wedge being driven into the welfare system. He is also swimming against the strongly Eurosceptic party tide in his advocacy of Swedish membership of the European Union's planned economic and mone-

His position bas been strengthened, bowever, hy the way the party was forced in its disarray after the fall of Ms Sahlin to appeal to him. In addition, the simultaneous election of Ms Ingela Thalen. the popular social affairs minister, as party secretary should belp damp anti-Persson dissent not least among the powerful

gress in March when Mr Carls-

system is already clear.

back in order. and maintained.

But now that his position is clear, there can be little doubt overall tax hurden," he said in an interview last week. "You can have high growth with a high tax burden. The issue the Swedish welfare model is not so difficult. The shift in the system we made in the 1970s began to give benefits that were not financed. It is a ouestion of achieving a balance of what Swedish production can bear. I will stick to the welfare

tary union.

SDP women's movement.

But Mr Persson can never meet its most ardent desire. It had hoped to crown its recent gains in winning 50 per cent of cabinet and SDP parliamentary seats for women by having a woman prime minister for the

## Mr Wolfgang Schüssel, whose departure from the coalition prompted the election Vranitzky clings to lead as Austrian poll nears

Austrian Chancellor Franz Vranitzky's Social Democrats are clinging to a narrow lead in opinion polls over their previous coalition partner, the conservative People's party, 10 days before a general election. But the polls also show that a fifth of the voters are still undecided, making the result on December 17 too close to

Two surveys published yes-terday by the daily Standard and the weekly News show the Social Democrats at 31-33 per cent, the People's party at 29-31 per cent, and the rightwing Freedom party led by Mr Jörg Haider at 24-26 per cent. The Social Democrats have rebounded slightly from previous lows, the People's party is also gaining steadily, with

Freedom stagnating. The main losers are the Greens, who slipped to 7-8 per cent from nearly 10 per cent last month, while the Liberal Forum is holding steady at 5-7 per cent. The polls were conducted

Schüssel, the vice-chancellor, who walked out of the coalition in October after disagreements over the budget. The main survey organisations have said they will not

publish polls in the last week of campaigning. According to polls, the unde-cided are mostly in lower-income groups who could be swayed by the populist rbeto-ric of Mr Haider. But few

before this week's final two

televised debates involving the

political leaders. The penulti-

mate debate on Tuesday night

was a head-to-bead between Mr

Vranitzky and Mr Wolfgang

apparently want the Freedom party leader as chancellor. Mr Schüssel has dominated the campaign so far with calls for austerity, and, in their televised duel, put Mr Vranitzky oo the defensive on budget issues. But many voters have not forgiven him for breaking up the coalition just a year

after the last election. Although Mr Vranitzky ha run a lacklustre campaign, his party bas successfully played on fears about cuts in Austria's The strikes in France bave raised concerns that Austria might face social unrest if it enacts a similar reform programme.

Mr Vranitzky is still favourite as chancellor, with 33 per cent support against 25 per cent for Mr Schüssel and 13 per cent for Mr Haider. The winner in the election will face difficulties forming a government. Mr Schussel has stated his preference for reviving the nine-year-old coalition with the Social Democrats on his terms, but reconciliation would be difficult after the bitter divorce

and a robust poll campaign.

If the Social Democrais fall to second place, Mr Vranitzky has said he will resign, and the party might choose to go into opposition for the first time in

Mr Schüssel bas not ruled out some form of co-operation with Freedom, but a formal coalition with Mr Haider is unlikely. As Mr Schüssel has said, a majority in parliament would never ratify his appoint-

ment to any cabinet position.

## Dutch shops to stay open longer

Under current legislation. shops can open for a maximum of 55 bours a week, in practice, shop hours.

mornings and open one even-

or Friday world war.

The Christian Democrats. citing fears of family disruption if parents were required to work evenings, had long opposed radical changes to

affairs minister, had originally proposed that shops be allowed to open every Sunday, but

this was opposed by Labour. Mr Jan Hol, spokesman for Ahold, the big Dutch food retailer, said its Albert Heijn supermarket chain would be open across the country from 9am to 8pm. six days a week. when the new bours took effect.

its specialty shops will tailor their hours to the local market. "In hig cities, this means they'll use the evening hours. If they're located near schools, thay might open earlier in the morning," he

Employers and unions remain deadlocked on whether bonuses for evening and weekend work will continue to apply when shop hours are lib-

#### **Brussels** relaxes rules for R&D aid

By Emma Tucker in Brussels

New rules drawn up by tha Enrapean Commission will allow companies to apply for higher levels of public subsidies to pay for research and development projects. The move is aimed at maintaining the competitiveness of European industry.

Commissioners have agreed that while basic limits on the amount governments can give enterprises for research will nies will be allowed to apply for "bonuses" to top up the amount of state assistanca they receive.

Existing EU cellings for government R&D aid are 50 per cent of the total cost of a project for basic industrial research, and 25 per cent for applied research. Under the new rules the honuses will allow some companies tn receive as much as 75 per cent of the cost of a project in pub-lic aid. This is the maximum permissible limit agreed under General Agreement on Tariffs and Trade rules.

The new framework was announced after a long and stubborn hattle between Mr Karel Van Miert, the competition commissioner, and Ms Edith Cresson, the research

Mr Van Micrt argued that ceilings should not be changed because any increase would lead to mmre taxpayers' money being poured into hig compa-nies that already benefit from generous government grants. He also believes that bigher ceilings will work against the Interests of the EU's poorer member states where governments are less inclined to spend money on research and development.

The highest amounts of aid in the EU are paid by the French, German and Benelux

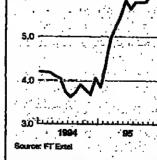
Ms Cresson, however, said the EU should raise ceilings to the maximum permissible level under international trade rules to ensure that European industry was receiving aa much aid as companies in the US and Japan. Yesterday both sides were

claiming victory. Mr Van Miert said the fact that bonuses could only be paid to certain categories of company meant the door had not been opened tn an unseemly race for public money. Ms Cresson claimed the categories were so wide that in effect the ceilings had been raised to 75 per cent. According to the Commission the amount of public aid

roughly the same as in the US. The total amount - including R&D spending hy companies, universities and research institutes - is higher in the US, but principally because of bigh spending in the defence

spent on research in the EU is

#### **ECONOMIC WATCH** Italy's annualised inflation Italian inflation



Nevertheless, the rate is still almost double the European government projections. Mr Rainer Masera, budget minister, sought to play down the figure saying "this is high but not especially worrying.
However, unions warned that

Economists claim the statistics hide the real rise as car manufacturers offered big discounts. Robert Gruham, Rom French non-farm employment rose a final 0.1 per cent in the third quarter, compared with a provisional 0.2 per cent.

Wholesale prices in Austria fell a preliminary 2.4 per cent in



And while you are at it, please artach your cheque too tund more Macmillan Nurses in the fight against cancer. Did you know over one million Enter amount C



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## Some restrictions stay in place on Sunday shopping

By Ronald van de Krol

Shops in the Netherlands are to be allowed to stay open longer from mid-1996. The lower house of parliament has approved legislation to ease one of Europe's most restrictive retail regimes. Shops will be allowed to open from 6am to 10pm from Monday to Saturday, with Sunday trading also permitted 12 times a

Sunday trading will be at the discretion of local authorities, so sbops in deeply Calvinist parts of the country are likely remain sbut on Sunday.

supermarkets, department stores and other retail outlets tend to open no earlier than 9am and close no later than 6pm. Many close on Monday ing a week, usually Thursday

The prospect of longer shopping hours is ooe of the first tangible signs of toe "purple revolution" that took place in the general election of May 1994, when the Christian Democrats were swept from power for the first time since the first

The three coalition partners Labour, pro-business Liberals and the left-leaning D66 whose party logos produce the colour purple when mixed are in favour of allowing market forces greater rein.

The Dutch move to liberalise bours follows just a month after neighbouring Germany, which bad long banned Saturday afternoon shopping except for one Saturday a month, also approved expanded hours. If ratified by the upper house in early 1996, the Dutch vote means shops can start staying open longer from next sum-

Mr Hans Wilers, economic

احكذا من الملاصل

## Juppé counter-offensive is little and late

Like a coin placed on edge, the outcome of France's reform crisis could go either way. Fortune may eventually favour Mr Alain Juppe, the prime minister. But so late has he left his counter-offensive that the protest movement led by unions opposing his welfare

reforms has developed consid-

After the slight lull yesterday following massive street marches around the country on Tuesday, strikes will bite into the public sector again today. The CGT and Force Ouvrière union federations, who form the core of the protest movement, are digging in

Mr Marc Blondel, president of FO, said he saw nothing in the prime minister's overtures to lead him to abandon the strike, while Mr Louis Viannet, the CGT president, claimed his members' disappointment at Mr Juppé now verged on anger. Both still demand that Mr Juppé formally abandon his plan to increase weifare charges and curb welfare spending to wipe ont the FFr60bn (\$12.3bn) annual social security deficit over the next two years.

In the National Assembly on THE FINANCIAL TIMES
Published by The Financial Times (Europe)
GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany, Telephone ++49
69 156 39, Fax ++9 69 99 481, Teles
416193. Represented m Frankfurt by J.
Walter Brand, Wilhelm J. Brissel, Colin A.
Kenngard as Geschäftsführer and in London by David C.M. Bell, Chairman, and
Alan C. Miller, Deputy Charryam Shareholders of the Financial Times (Europe)
GmbH ane: The Financial Times (Europe)
Ltd. London and F.T. (Germany Advertising) Ltd., London, Sharecholder of the
above mentioned two companies is The

above mentioned two companies at The Financial Times Limited, Number One Southwark Bridge, London SEI 911L GERMANY:

GERMANY: Responsible for Advertining Colin A, Ken-nard, Printer: DVM Druck-Vertrich und Marketing GmbH, Admural-Rosendahl-Strusse 3a. 67263 Neu-Isenburg towned by Hilmyet Internationali. ISSN 9174 7363. Responsible Ednic: Richard Lumber; On The Francial Times Limited. Number One Southwark Bridge, London SE1 9HL. FRANCE:

FRANCE:
Publishing Director: D. Good, 168 Rue de
Rivoli, F-75044 Paris Cedex 01. Telephone
(01) 4297 0621, Fax (01) 4297 0629,
Printer: S. A. Nord Eskhri, 1972 Rue de
Caire, F-59100 Roubsix Cedex 1. Editor:
Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

Responsible Publisher, Hugh Carnegy 468 618 6083, Printer: A8 Kvällstidningen Expressen, PO Box 6007, S-550 06, © The Financial Times Limited 1995. Editor: Richard Lambert, do The Financial Times Limited, Number One Southwark Bridge, London SEI 9HL

Tuesday Mr Juppé slightly shifted ground. He paraded his determination to carry through his welfare plans, but recognised that he now had to show maximum willingness to consult, though not necessarily to negotiate with, the

However, Mr Jnppé discreetly opened a door to real negotiations on the most sensitive point of all - changes in public sector pensions. In autouncing his mid-November reforms, Mr Juppe said the long-term financial future of the multifarious special pension funds for the country's 5.9m civil servants and public sector workers lay in extend-ing the period of their pension contributions from 37.5 to 40 years, so matching the change imposed on 14m private sector

employees two years ago. Mr Juppé's officials said yesterday that the prime minister of public pensions contributions. But not only did Mr Juppé omit any restating of the 40-year target for pens contributions, but he also explicitly stressed that "there is no question of aligning' public with private pensions. He left it up to a new government-appointed commission to pronounce on the "specifici-ties" of public pension

But only Ms Nicole Notat, president of the moderate CFDT union federation, chose



Premier Alain Juppé leaving yesterday's cabinet meeting

to recognise this as a conces-sion, hailing Mr Juppé's "lifting of the sword of Damocles" enging over public pensions. But ever since she gave an immediate welcome to the health insurance aspects of the Juppé plan, Ms Notat has been wandering about in no-man's

her federation's rail members and some others. Earlier this week Mr Juppé assured his backbenchers that he did not intend to commit political suigeous but not reckless". His public pension reform

which is the one strand of complaint shared by the 5.9m people in the state sector — is relatively minor in immediate financial terms. The shortfall in the public pension funds is FFr3.8bn this year, though in the absence of reform it will grow tenfold by 2005. This is one reason why the government claims some action is

The other reason is that the government reckons one conession would merely what the unions' appetite for more, which would have the result of endangering the whole welfare reform, designed among other things to close the health insurance deficit, which is FFr34bn this year.

But this week Mr Juppé gave the National Assembly two tax pledges which could cost state finances just as much as any social security concessions. First, he killed the idea, floated by Mr Jean Arthuis, the finance minister, of using next year's tax reform to end the 20 per cent tax deduction for income taxpayers and to devote the resulting savings to the state to lower income tax rates.

Second, he promised that the contribution généralisé sociale – which, despite its name, is a pseudo-income tax extended to all revenue rather than a social or payroll charge. would be increased, but also be made deductible from regu-

though they may be, these moves will complicate Mr Arthuis' task of slicing next year's budget deficit by 10 per cent to FFr287bn.

Inevitably the crisis has also re-opened the debate over Maastricht. The government is using the Maastricht criteria for monetary union as a stick with which to beat the opponents of its reforms, but is clearly worried that the stick may now break in its own hands. The government line is that, even without Masstricht. the country would have to reform itself.

But there is no escaping the fact that the pace of deficit reduction is accelerated and dictated by the Maastricht timetable. When Mr Jean-Pierre Chevenement, the left-wing nationalist deputy, pointed this out on Tuesday, he got some Gaullist back-bench cheers.

Mr Charles Pasqua, the Gaulitst ex-minister, rubbed the point in during an inter-view with L'Express in which he said monetary union "can just as well be put in place in 2001 rather than in 1999".

This is hardly the ideal. domestic political backdrop for President Jacques Chirac's lor Helmut Kohl at Baden-Baden, where the pair are due to reaffirm their firm inten-

## German economics minister

survives in cabinet for now

## FDP keeps Bonn guessing

remain Germany's economics minister, for another week at least, after speculation yesterday that he would resign as u part of a reshuffle of ministers from the Free Democratic party (FDP), the junior part-ners in Chancellor Helmut Kohl's government

Mr Wolfgang Gerhardt, the FDP leader, emerged from an impromptu two-hour meeting of the party's executive to announce that all three FDP ministers, including Mr Klaus Kinkel, the foreign minister, would remain in office. But Mr Gerhardt hinted that

Mr Rexrodt's respite might be short when he said the party could still reshuffle some cabinet posts after FDP members voted next week on controver-sial proposed legislation to allow electronic surveillance of criminal suspects.

The fact that Mr Rexrodt sur-

vived yesterday's party mea ing, the most dangerous threat to his position so far, suggests he may stay on beyond next Thursday's meeting. He described yesterday's decision as "an important show of confi-

Mr Gerhardt said all decisions had been postponed until then. If a decision was necessary, Mr Gerhardt said, he would suggest alternatives for Mrs Sabine Leutheusser-Schnarrenberger, the justice Rexrodt.

Mr Gerhardt's comments ended two days of rumours as it struggles to shape a new political identity after a poor performance in last year's fed-

exal elections. There has been repeated speculation this year that Mr Rexrodt would be forced out of his job because he was not representing the interests of German industry effectively enough in Bonn, and has been unable to get across the FDP's traditional message of lower

taxation and more enterprise. Mr Gerhardt's comments sug-Mr Gunter Rexrodt looks set to gest that he will appoint a replacement next week for Mrs Leutheusser-Schnarrenberger, who has said she will resign if the FDP votes in favour of the new alectronic surveillance measures; something she has

consistently opposed. Speculation that Mr Rexrodt would be replaced resurfaced this week when Mr Gerhardt suggested to journalists on Monday that he might have to make new appointments as

'The FDP's leadership is so weak it can't even organise a halfway decent resignation for its ministers. What a stunning example of leadership'

part of an FDP reshuffle. These comments were underscored later when, during interviews, Mr Gerhardt gave Mr Rexrodt no explicit backing.

Meanwhile, a series of senior FDP politicians, including Mr Otto Lambsdorff, a former economics minister, demanded an and to the discussion about ministerial appointments which he described as

Mrs Irmgard Schwaetzer. another former FDP minister. described the developments yesterday as "shahby and unprofessional", an apparent veiled attack on the way Mr Gerhardt has handled the

The opposition Social Demo-crats gleefully lampooned the episode in a statement saying: "The FDP leadership is so weak it can't even organise a halfway decent resignation for its ministers. What a stunning example of leadership.

## Chirac to find relief in spa town

By Peter Norman in Bonn

In times of trouble, good friends usually

try to stick together. Against the background of strikes and protests in France at government plans to slim down the welfare state and growing nervousness and fractiousness inside the centre-right coalition in Bonn, Mr Jacques Chirac, the French president, and Mr Helmut Kohl, the German Chancellor, will today stress their solidarity on European Union issues when they meet for the 66th

Franco-German summit. At the end of an afternoon's talks in the elegant spa town of Baden-Baden, the two leaders are due to disclose a joint position underlining their commit ment to e further integration of the EU and naming their goals for the forthcoming intergovernmental conference

(IGC) on EU reform. But all the signs are that the paper, which will take the form of a letter to Mr Felipe González, the Spanish prime minister and current EU president, will be short on detail. This indicates a difficult process of achleving consensus as well as a determi-nation not to offend other EU members with too prescriptive an approach to Europe's future.

There is, for example, a considerable gap between German enthusiasm and French distaste for greater integration of EU internal and judicial affairs. On the other hand, Germany's decision to send troops to join the peacekeeping force in the former Yugoslavia, France's intention to move closer to Nato and a greater preparedness by France to accept weighted majority vot-ing in EU decisions may augur well for a joint approach to a common foreign

talks will look beyond the IGC towards the enlargement of the EU in eastern and central Europe, which both countries favour, and the problems that enlargement will bring for the EU budeet and agricultural policies.

Some bilateral issues will be on the agenda, such as possible co-operation in developing a new generation of reconnaissanca satallitas

It is only since late October, when Mr Chirac cemented relations with Chancellor Kohl on a visit to Bonn, that the German government has felt it has the measure of the new incumbent of the

According to one Francophile Bundestag MP, the French government achieved nothing in terms of foreign or domestic policy in its first six months sation of France.

and security policy. Although time is of office. Since the October visit, Bonn limited, there are hopes that today's has been impressed at France's commitment to economic stability in the context of planned economic and monetary union, although privately officials and parliamentarians express wonder at the Juppe administration a authoritarian approach to cutting back the welfare

> Although today's discussions will try to rise above the social conflict in France and look to the IGC and beyond, Bonn is keenly aware that France has become a testing ground for the whole Emu policy.

A French government failure to hold firmly to its economic policies would, in the German view, threaten not only the Emu project and timetable: it would also put at risk the economic moderni-

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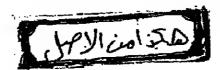


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Trucks and Vans



By William Dawkins in Tokyo

The European Union yesterday lifted a nine-month ban on Japanese fish imports worth just under Ecu20m (\$26.2m) a year, citing improvements in hygieoe cootrols at Japanese refrigerated depots.

Japanese authorities called the ban an over-reaction when it was imposed last April. Its lifting will remove one of the few irritants in EU-Japan trade relations. It applied to shrimps and surimi, a mixture of semiprocessed flaked fish.

Japanese scallop sales to the EU remain embargoed hut officials expect to settle outstand-ing questions on scallop hygiene checks in time for the harvest early next year.

The ban oo Japanese fish was applied after a routine inspection by EU officials uncovered inadequate hygiene controls at Japanese frozen fish ceotres. Since then, Japanese fishery officials bave toured Danish frozen food warehouses to research RU health checks and, as a result, instituted reforms to their own

inspectioo system. The EU embargo came at a time of growing international coocern over the use of hygieoe standards as a barrier to trade, highlighted in an agreement in the Uruguay Round of trade talks, which came into effect in January, that governments should not set unnecessarily tough health and safety rules.

 Japanese and US trade officials yesterday opened two days of talks on barriers to competition in Japan's domestic markets. The US is pressing Japan to strengthen its anticartel rules, seen as too weak to ensure open competition. US negotiators have submitted 300 economic deregulation requests including the scrapping of curbs on the opening of large supermarkets, and an end to government price con-trols. This is the latest stage in the US-Japan economic framework talks, which opened two years ago, intended to hasten the decline in Japan's current account surplus

## US map puts China on road to WTO

Beijing today resumes its tough negotiations on joining the World Trade Organisation armed with guidance from Washington on ways around the remaining stumbling blocks

By Tony Walker in Beijing

Armed with a US-drafted "road map" laying out terms for entry to the World Trade Organisation, Chinese negotia-tors today meet the WTO working party on China in Geneva in an effort to advance tha pro-

Western and Chinese officials in Beijing say that a breakthrough in the protracted negotiations is unlikely at this stage; although they expect renewed progress after a fallow

China's noisy attempt to become a "founder member" of WTO, established on January 1 this year as the successor body to the General Agreement on Tariffs and Trade, masked an unwillingness to make the gestures necessary to meet the demands of its negotiating partners - either on the wording of a detailed protocol or on the necessary hilateral agree-

But China's leadership, which had insisted there would he on new concessions to secure Gatt entry, the formal step required for WTO membership, bas quietly shelved that position.

The announcement at the Asia Pacific Economic Co-operatioo forum in Osaka that China would from next year reduce tariffs on a list of

clearly aimed at improving the climate for WTO membership. "The atmosphere going into the talks is certainly improved be a significant gesture in Osaka as a downpayment," said a western official in Beijing. "But we need to see more details of what's involved and how China would deal with various protocol issues. We really need to see the colour of their money."

Among recent developments that indicate a greater seriousnesa of purpose is China's request to the US that it provide a written outline of the steps necessary to satisfy requirements for entry to

That 13-page document, or "road map", consisting of some 25 categories, was handed to the Chinese in November by Ms Charlene Barshefsky, US deputy trade representative.

It identifies areas where substantial disagreements remain and provides an outline of ways in which the gap might be bridged. Key sticking points Trading rights: China has

proposed staged liberalisation over eight years. Its negotiating partners want restrictions on the rights of companies to engage in foreign trade liberalised in three years. State trading companies now dominate. Non-tariff measures: China'e offer of a phased elimination does not go far enough. Price controls: China is under pressure to reduce categories where controls are

 Subsidies: China is being asked to provide greater transparency on export subsidies on

The rise and rise of Chinese exports

agree to their phasing out.

Safeguards: China remains

adamantly opposed to any disprotocol its negotiating partners want these safeguards to protect themselves against expected "surges" of Chinese exports of such items as textiles and footwear into their home markets. • Transition period: China is

areas will require special tran-sition periods. There are a lot of problem areas related to protocol conditions," said a senior official of the ministry of foreign trade and economic co-operation.

being asked to indicate which

China is most exercised by the "safeguards issue" and wants to limit the scope of such a measure. "Under the

being asked to consider, contracting parties can depart from Gatt rules at any time in the application of safeguards," said the official. "That is contrary to the spirit of free trade." The US and European Union

are seeking both a general safeguard and product-specific safeguard – hoth with low While negotiation of the pro-

tocol covering China's entry is proving extremely complex, bilateral negotiations between the Chinese and Gatt contracting parties are also tortuous.

Of particular concern to big commodity exporting countries like the US, Canada and Aus-

China is now saying the "time is ripe" for entry to the WTO. Its negotiating partners will have other ideas until the Chinese move substantially on some of the more contentious protocol issues such as trading tralia are those relating to tariffs and quotas on wheat, barley, rice, cotton, wool and rights, subsidies, price controls

WORLD TRADE NEWS DIGEST

## Vietnamese to lease Airbuses

Vietnam Airlines is expected to sign a lease this month with Regionair of Singapore for 10 Airbus A320-200 aircraft. Once finalised, the Airbus deal would pave the way for a big sales contract for Airbus Industrie as Regionair does not have 10. aircraft available for immediate lease to the Vietnamese flag carrier. The Vietnamese carrier is also talking to GE Capital Aviation Services (Gecas), a subsidiary of General Electric of the US, for a medium-term lease of several Boeing 767-300s.

The Airbus and Boeing arrangements would be for operating leases, which would give Vietnam Airlines the option of flying and maintaining the aircraft itself or contracting this out.

Some of the 10 aircraft to be leased will replace existing

Airbus aircraft whose leases run out next year. The rest will

be allocated to regional routes and domestic routes currently served by ageing Soviet-made Tupolevs.

The Vietnamese airline urgently needs more medium-range aircraft for its booming local network and for planned additions to south-east Asian and other international Jeremy Grant, Ho Chi Minh City

#### EU probes cross-border car sales



The European Commission is investigating complaints from Austrians that they are being prevented by Italian car. dealers from buying more cheaply in Italy. According to Mr Karel Van Miert, the competition commissioner (left), the complaint centres on Volkswagen, but other companies are also expected to be checked. Following the devaluation of the lira, Austrians have flocked across the border to buy cars in Italy with their stronger currency. Car distributors are alleged to have put pressure on dealers not to sell to Austrian

customers. Although distributors enjoy certain protective privileges, they are not allowed to prohibit such cross-border ectivity under single market rules.

The issue of cross-border shopping for cars is sensitive. Car dealers in France have complained hitterly about the loss of trade in frontier regions as a result of devalued currencies in neighbouring countries. If the Commission decides dealers have behaved illegally,

they risk losing privileges enjoyed under e so-called "block exemption" agreement that protects them from certain aspects of competition law.

Emma Tucker, Brussels

#### Nissan opens Philippines plant

Star Manufacturing Industries, a Philippines joint venture. with Nissan, yesterday opened an 800m pesos (\$30.5m) vehicle-assembly plant in the Philippines which is expected to

The plant, which will employ 500 people, is the latest in a series of Japanese vehicle investments in the Philippines. One of Star's neighbours at Laguna Technopark, a joint Philippines Japanese industrial zone south of Manila, is Honda: (Philippines) which recently moved to round-the-clock

About 90 per cent of private cars in the Philippines are Japanese brands and car sales have risen by 30 per cent this year. The Japanese carmaker said it would use the latest technology to produce the four-wheel Nissan Terrano 4x, also called the Pathfinder. Echpard Luce, Marrie

Rolls-Royce of the UK has signed a \$250m contract with Gulfstream Aerospace for Tay engines to power the Gulfstream IV-SP corporate aircraft. The company said the order for Tay 611 would take Tay engine production for the GIV-SP into the next century. The order takes the total of Rolls-Royce engines ordered by Gulfstream to more than 2,300

ABB Asea Brown Boveri has won a \$100m order from Kores Electric Power to supply 10 steam turbines for a nuclear power station in South Korea.

## Russian entry to trade body 'years away'

By Frances Williams in Geneva

Talks on Russia's bid to join the World Trade Organisation continue to make progress but entry remains some way off. trade officials said yesterday after the WTO working party on Russian membership met for the second time. Officials said the negotia-

tions were still at an early stage and the inevitably tough bargaining over Russia's accession terms had yet to begin. "After China, people are very leery of setting a target date for Russian membership," said one Geneva-based official, adding that two to three years was probably realistic.

The working party meets again next May to complete its detailed examination of Russia's current and planned trade regime for goods, services and intellectual property protection. Only then can work start in earnest on the lengthy process of drafting the protocol of accession and negotiating market-access commitments for goods and services.

The main problems so far relate to uncertainty over what Russia's trade policies are in a number of areas, including agriculture and state-owned

The US is particularly concerned about the failure of the Russian parliament to approve the 1992 bilateral investment treaty protecting US investments in the country. Washington has also called for quick action by Moscow to end rampant piracy of US compact

discs and videos. Which it transparent trade regime had agreed to in a separate 1992 contributed to rapid economic agreed to in a separate 1992 trade agreement. Russian officials said this

week that the government was "taking concrete measures" to enforce intellectual property legislation and repeated that attracting foreign investment was "a top priority objective". Russia is among 28 nations in the queue to join the WTO,

including China, Taiwan, Viet-

nam, Saudi Arabia and several former Soviet republics. The WTO currently has 111 members, with tha figure due to rise to 112 next week with the accession of Cameroon. Another 16 countries, mostly poor developing nations, are members of Gatt, the WTO's predecessor, which is being wound up at tha end of the

 The World Trade Organisation yesterday praised Slovakia's trade policles and said the country's generally liberal and

comply wird with me

year. These countries are expected to be given extra time

growth of 5-6 per cent over the past two years.

These countries are pushing hard for a liberalisation of agri-

cultural markets in the know-

ledge that China's demand for

commodities is virtually

boundless, and will continue to

surge as living standards rise.

However, Beijing will not yield

open market for agricultural

products, since the well-being of its hard-pressed farmers is one of its biggest political con-

China is also being pressed

to make more adventurous commitments towards opening

its services sector, including

the participation of foreign

banks, insurance companies and other service-oriented businesses. This area is regarded as a key test of Chi-

na's commitment to market

Chinese officials say they

object to remarks by US and European officials that there

remains a big gap between China's position and the demands

of its negotiating partners. Bei-jing regularly secuses the US of seeking to frustrate its ambi-

tions to become a member of

the WTO, but there is little

doubt that China initially

chose to misunderstand the

fairly rigorous requirements

liberalisation.

However, the WTO report found fault with Slovakia's 10 per cent temporary surcharge on imports of consumer goods, imposed for balance of payments reasons. Slovak officials confirmed yesterday that the government would eliminate the surcharge by mid-1996. The WTO report also expressed concern at the slowdown in the pace of privatisation in Slovakia and continuing state influence over newly privatised companies.

Slovakia's trade pattern has shifted dramatically since 1989 when most trade was with the Soviet Union and its satellites. Excluding trade with the Czech Republic, its partner in a customs union, 71 per cent of ern Europe. Preferential partners account for more than 80 per cent of the country's mer-chandise exports and 70 per cent of imports.

## Dam developers wear down bureaucrats' hostility to BOT

John Barham on the opposition to Build-Operate-Transfer schemes which delayed Turkey's Birecik project for almost a decade

urkey's recent approval of its first Build-Operate-Transfer (BOT) project. the huge Birecik bydroelectric dam project on the Euphrates, was cause for celebration. The contractors, led hy Germany's Philipp Holz-mann and the bankers, headed hy Chase Manhattan, had finally closed a deal that had

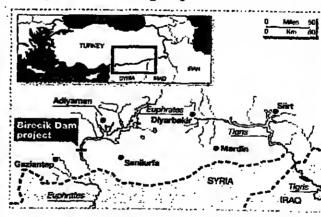
taken a decade to negotiate. Turkey plooeered BOTs in the 1980s as a way of financing large infrastructure projects with little direct cost to the government. Under the system, a developer huilds a project, operates it long enough to earn a profit, then transfers it to the

However, hureaucratic oppo-sition, technical complications, legal challenges and the hostility of politicians delayed prog-ress for years. It took the looming threat of hlackouts finally to overcome resistance. Rapid urbanisation and population growth mean demand

for electricity increases almost irrespective of the economy's erratic performance. Last year, demand rose 6 per cent, although the economy shrank by 6 per cent. The government says gener-

ating capacity must grow by 246 per ceot over the next 15 years. It plans to build 160 hydroelectric, thermal and nuclear power stations at a cost of about \$50hn. BOT schemes are intended to play an important part in this.

Philipp Holzmann, heading an international consortium financed mainly by European governmeol export credit agencies, will build Birecik, Construction should take five and a half years and cost DM2.3bn (\$1.6bn) Birecik, with a capac-



ity of 672MW, will be part of the government's Southeast tracts, including Birecik and dams and irrigation systems costing an estimated \$32bn. Birecik should clear the way may also remain a problem. Even when civil servants do for about another 15 contracts

languishing in the pipeline. The oext to he approved should be a \$715m water project for the city of lzmit.

Although BOT contracts sound simple, implementation is complex. Even in south-east Asia, where BOTs are popular,

they have been plagued with problems. Pricing, regulation and the extent of state support a project should enjoy are all common problems All these difficulties are mag-

nified in Turkey. The greatest is a clause in the constitution which requires the Danistay administrative court to rule whether a project is essentially a concession or not, if so, it must then approve each such project on a case-by-case basis. This court has proved very

bostile to BOTs, forcing the

government to rewrite its legis-

lation. The Danistay has

grudgingly accepted 16 coo-

procedures are becoming streamlined. The level of state involvement in future projects is being reduced, which should reduce delays. It is unlikely many projects will enjoy as much government support as Birecik, where the government guarantees a profit for the operators and assumes their debts in case of default.

However, UK brokers Wood Mackenzie says the government's investment plans are over-ambitious. Although it expects capacity to double to 2010, making Turkey Europe's fastest-growing market for power, it doubts there will be enough foreign capital avail-

Izmit, hut will retain jurisdic-

tion over the projects for their

full life - creating considerable

uncertainty for their backers.

not actively oppose a project,

they move very cautiously since they are held personally

responsible for all decisions

they make. Still, legislation and approval

The powerful hureaucracy

able to back as many projects as the government would wish. Rather than rushing to build more capacity, Turkey could manage its existing system more efficiently. About 40 per cent of state-owned generating capacity is idle for lack of parts or maintenance. ABB, the Swiss-Swedish power engineering group, reckons it would cost \$100m to unblock these bottlenecks. Even simple repairs could boost generation by 10 per cent. This is why manufacturing

companies have started to huild their own power plants. which now generate about 10 per cent of Turkey's power. Privatisation could increas supply through better manage ment, converting loss-making state utilities into profitable

companies, allowing them to finance their own expansion. However, privatisation is still a long way off. The government has raised only \$540m in privatisation revenues this year, one-tenth of its target.

However, one specialist warns that "no way can better management, BOTs or privatisation [provide enough] canac-ity by 2010." He expects the government to retain a central role in financing projects - in spite of its \$70.59bn foreign debt and tight investment budget. The government plans to invest \$3.0bn in 1996, a comparatively small figure that will probably be eroded by infla-

The likeliest scenario is for continued muddling through. BOTa and other privately financed projects will gain greater prominence, there may be some progress in privatisation and Turkey will probably

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マップリンセグランナ

# in booming South Africa

By Roger Matthews in Johannesburg

The South African economy is likely to enjoy its best year for more than a decade in 1996, but few will enjoy the benefits and unemployment will continue to

This was the politically loaded message delivered yesterday by the South African Chamber of Business (Sacob), which represents more than 40,000 companies, in its forecast for the year ahead.

"The danger of jobless growth is real," said Mr Raymond Parsons, director general of Sacob. He forecast that even if the economy grew by 4 per cent in 1996. 1 per cent more than this year, this would create jobs for no more than 95,000 people out of the 350,000 who will be seeking work for the first time. This year only about 50,000 out of 350,000 are believed to have found work.

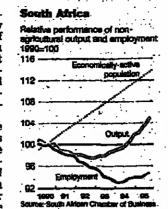
Official unemployment is put at more than 33 per cent, but the percentage of the black munity without a formal lob is closer to 50 per cent. A

terday showed that only slightly more than half of employers expected to take on more unskilled workers next year, with prospects significantly worse in several regions, especially the politically troubled province of Kwa-

"A key characteristic of the current economic upturn has been that the benefit of the growth that has been experienced so far has been confined to a relatively small proportion of the population," said Mr Parsons. "Tbis has negative implications for social stability, job creation and crime lev-

For those in work. Sacob is forecasting a further increase next year in real wages. It is expecting wage rates to increase by 8-9 per cent, but inflatioo to dip further to about 7 per cent.

All these forecasts assume a still favourable world economic ment, led by the African National Congress, will main-



need for faster economic growth, and its objective of securing a more equitable distribution of wealth. Sacob believes it is vital for the government to maintain strict fiscal discipline, and is looking for deeper spending cuts in the

March budget.
This is likely to prove painful for the government which is already having to face the probability that it will fail to meet its target of reducing the

current financial year. Sacob economists said yesterday It would be damaging for the government's fiscal credibility

## <sup>1</sup> Israel to present new initiative to break deadlock in talks with Syria

Israel, seeking to break a four-year deadlock in peace talks with Syria, is crafting a new negotlating strategy wbich it will present to US President Bill Clinton when Prime Minister Shimon Peres visits Washington early next

Central to the initiative is Israel's offer to Syria to move on from just talking about the complex security arrangements of a troop withdrawal from the Israeli occupied Golan

Israel wants to discuss all aspects of peace with Syria simultaneously including dipiomatic, political and economic matters and the prospects for co-operation bilaterally and multilaterally in the event of a peace agreement,

secret channel of negotiations similar to the Oslo talks which led to the breaktbrough between Israel and the Pales-

The strategy has been the focus of a Middle East shuttle by Mr Dennis Ross, the US peace envoy, who has met President Hafez al-Assad of Syria and Mr Peres, in the past

Foreign ministry officials said the initiative reflects Mr Peres' long-beld view that Israel's successful experience in peace talks with Egypt, Jor-dan and Palestinians showed that the best results are achieved when there is a multitrack negotiating process which involves senior politicians rather than just military and government officials.

It is, bowever, by no means

to a breakthrough Syria has consistently refused to coosider a secret track of negotiations, rejected Israel's call to upgrade the level of the talks and has stuck to its demand to have negotiations restricted to security and held under US

On Tuesday Mr Ross said Mr Assad was "open and flexible" to the Israeli initiative. The last round of security

talks broke down in June over israel's insistence on maintaining an early warning station on the Golan Reights, even after a withdrawal of Israeli

Israel also demanded Syria cut its armed forces; demilitarise the area from the Golan Heights to the outskirts of Damascus and redeploy troops to other fronts. Syria rejected ment of its sovereignty.

Syria subsequently insisted

that krael drop its demand for an early warning station as a virtual pre-requisite for resuscitating the talks. An alternative option Israel might accept is to position US forces on the Golan Heights but it is not certain Syria will see this as less of a violation of its sovereignty and it is also unclear whether the US Congress would approve such a move.

Mr Peres and Mr Clinton will discuss these issues next week together with Israel's view that a US package of incentives to Syria - including economic and military ald and Syria's removal from the US blacklist of countries sponsoring international terrorism - could help nudge Damascus towards con-

if the budget deficit was above 6 per cent of GDP.

"There is a strong view within the business commu-

nity that attempts to reduce deficit should be accelerated," according to Sacob, which urged Mr Chris Lieben berg, the minister of finance. to set a target of 5 per cent of GDP for the next financial

This would in turn limit the government's capacity to create jobs in the public sector, and the business community had little advice to offer on adopted in the short term to alleviate unemployment, Ministers, however, appear to be confident that the bulk of the lectorate remains patient, and that the reconstruction and development programme will accelerate next year, bringing more basic services to the most deprived members of the com-

## Gloomy outlook for jobless | Qatar breaks ranks with GCC

Oil-rich Gulf state boycotts summit session after rows over policy

By Robin Allen in Dubel

Appearances of unity broke down yesterday among the six' states of the Gulf Co-operation Council (GCC), which groups Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE), following Qatar's boycott of a final summit session. The GCC collectively owns more than 40 per cent of proven global oil

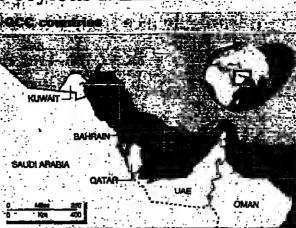
Despite frequent public disagreements in the past over regional issues, it was the first time in the 15-year history of the group that it failed to keep up appearances at the heads-of-state level.

The 16th GCC summit was also notable for the absence of Saudi Arabia's 73-year-old head of state and prime minister King Fahd Bin Abdul-Aziz who is in a Riyadh hospital after reportedly suffering a minor stroke" last week. The ostensible reason for Qatar's dissatisfaction was the GCC's failure to support its sympathy "in their current

nominee, Mr Abdul-Rahman al-Attiyah, for secretary-general for the next three-year term. Instead the group backed the Saudi candidate, Mr Jameel al-Hujilan, a Saudi national. However, observers at the summit meeting, held in the Omani capital, Muscat, point

out that Qatar's rift with its neighbours covers a wide range of foreign and defence issues, 'including border problems with its neighbours, and policy towards Iran, Iraq and Israel. These differences have existed for many years, but have until now been subordi-nated to the wider GCC interest of maintaining public

The GCC final communique vowed jointly to combat terrorist plots and extremism. "No



sesses the third-largest single gas reservoir in the world. acts of sabotage will not affect GCC states or shake their sta-bility," it said. The leaders also condemned Iran's continued sidacent to Iran. its foreign policy has often been dictated by commercial possession of weapons of mass destruction in defiance of the priorities. It broke ranks with its GCC United Nations, blaming President Saddam Hussein for the neighbours by opening relations with Israel to facilitate gas sales. It has border discontinued suffering of the Iraqi people, with whom it expressed putes with both Bahrain and

Gatar's walkout of the final session, the strained behaviour of Qatar's foreign minister Sheikh Hamad Bin Jassem al-Thani, and the premature departure from Oman of its ruler. Sheikh Hamad Bin Khalifah al-Thani, was a bombshell, said Gulf diplomats. One western diplomat commented: "It all happened at the last hour. It was wholly unexpected, unpredicted and unwelcome."

For many years Qatar's foreign policy has been marked by a series of initiatives uncharacteristic of the GCC, which normally "reacts rather than acts," as one seasoned

Qatar has a population of only 500,000, 80 per cent of whom are foreigners. It pos-



Muscat said: "Oatar's lone-wolf attitude is more drama than substance. They have lost patience with what they regard as the GCC's refusal to take them: seriously." Qatar's behaviour now is being compared to that of President Habib Bourguiba a decade ago when the Tunisian leader pub licly rejected the Islamic tradition of fasting during Rama-dan, and caused Tunisia to be temporarily dismissed from the Arab League

"pro-active" policy towards lraq, instead of participating in the usual GCC's "reactive" pol-However, western diplomats any Qatar's independent streak Unlika some of its GCC neighbours, including Bahrain is not in its larger interest. "It and Saudi Arabia, it allows the elongs to the club of conser-US to pre-position supplies. It is open in its insistence on vative monarchical states. These believe in patience, dia maintaining good relations with Iran, which is occupying three Gulf islands claimed by logue, and discretion. What Qatar is doing is the antithesis of these. It is not a lack of maturity; it is a lack of sophis-Qatar gave a hint two weeks

tication," said one.
"Their interests do not lie in going it alone. If they think they have US support, because of their open approach to Israel and their readiness to have US supplies, they are wrong. The US's most important perceived regional ally is Saudi Arabia; and the Qataris are publicly

## Egypt poll clashes leave 12 dead

parliamentary elections were marred by more confusion and

violence as they went into the

second round of voting yester-At least 12 people were killed in clashes outside polling stato disperse hostile crowds in a number of constituencies. Allegations of vote rigging and intimidation continued.

Some 613 candidates, from the ruling National Democratic party, opposition groups and independents, stood for 307 out of 444 parliamentary seats.

victory in the first round last

Saudi Arabia. It wants a more

ago of what was to come when Sheikh Hamad made a "big

scene" at s GCC foreign minis-

ters' meeting whan they

refused to endorse Oatar's

insistence that the next Middle

East economic summit be held

in Doha, Qatar's capital, rather

Rgypt's judiciary has added a new twist to the widely derided democratic façade. in a surprising ruling on the eve of yesterday's poll, a num-

ber of administrative courts

week by taking 124 out of 137 in the first round because of pending law suits allaging

fraud. · This could lead to a wave of mentary candidates and almost certainly a further round of



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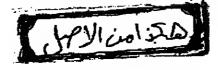
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Yamaguchi's detention goes beyond the alleged misdemeanours of one man, writes Gerard Baker

n the popular Japanese press, he is known as the "crevice filler". The unflattering appellation refers oot merely to his diminutive physical stature, hut to a political career that suggests a knack for sliding into small openings whenever

But the hole in which Mr Toshio Yamaguchi now finds himself is not one he is likely to find to his liking. Yesterday, after months of investigation, the former labour minister and leading light in the opposition New Frootier party was arrested after fellow members of parliament agreed to waive his parliameotary immunity from prosecution, it was only the secood arrest of a sitting member of parliameot in the last 28 years.

For most of the year be has been at the centre of a swirl of allegations about his involvement in an ever-expanding financial scandal.

But the significance of yesterday's move goes far beyond the alleged misdemeanours of one maverick politician. The tale in which Mr Yamaguchi plays a central role is a oear perfect allegory of the last decade of Japan's economic and financial ferment. It is a story of intrigue betweeo politicians, businessmeo and bureaucrats in an era of almost manic personal greed. And as the case unfolds, the legal trawl, which has already captured a number of leading businessmen and politicians, could spread to some hitherto apparently

The accusations against Mr Yamaguchi are of breach of trust. It is alleged that he used his coonections with the man at the heart of the matter, Mr Harunori Takahashi, one of Japan's most ostentatiously successful husinessmen, to secure Y7.2bn (£17.3m) in illegal loans for members of his family.

Mr Takahashi was the nonpareil of Japanese bubble speculators. He began in the early 1980s as a golf course developer, snapping up proper-ties in the years of surging land prices and turning them into some of the most glittering real estate prizes in the world. By the end of the 1980s he had properties in dozens of locations bad earned himself the soubriquet "The Resort King of the

But when interest rates began to rise after 1989, and land prices began their precipitous descent, things started to go wrong for Mr Takahashi. His bankers, only too willing to lend in the good times, quickly pulled back. Ever resourceful, bowever, he had an alternative to hand - since 1985 he had been running his own bank, a hitherto unheard of credit cooperative called Tokyo Kyowa. When the mooey from the main banks ran out, he simply used Tokyo Kyowa to raise funds to continue to finance his expansionary amhitions. This unorthodox practice apparently never came to the attention of regulators.

But as the collapse of asset prices accelerated in 1993 and 1994, the sums became more difficult to reconcile. Eventually last December the bank and a sister institution, Anzen credit co-operative - went under.

When bank inspectors and investigators moved in they discovered that up to 80 per cent of Tokyo Kyowa's loans were non-performing, a good number of them to some of Mr Takahashi's own companies. He stands charged with breach of trust.

How he managed to escape detection for so long reveals moch about the link between politics and husiness in the "bubble" period. For Mr Takahashi's success was not down solely to his entrepreneurial skills. In Japan at the time, the path to real riches lay viz influential friends in high places, and Mr Takahashi knew how to obtain them. Politicians and bureaucrats were entertained lavishly to a never-ending succession of fine din-uers and other delights and the inevitable golfing holidays.

Mr Yamaguchi, who had enjoyed Mr Takahashi's hospitality on several occasions, is alleged to have arranged loans totalling more than Y2.7bn for members of his family. The loans were secured, it is claimed, on worth-less property, and were then used to repay the debts of companies related to the Yamaguchis.

The claims are especially embar-rassing because Mr Yamaguchi was until earlier this year a leading member of the New Frontier party, the main opposition party, which is com-mitted to reforming Japan's corrupt political system.

But with Mr Yamaguchi now in the hands of the authorities, attention is already turning to who in the web of money politics might be oext. Though other politicians are

intriguing possibilities centre on finance ministry bureaucrats. For all



its current woes, the ministry remains at the very pinnacle of the Japanese power structure. Unlike other departments, it has hitherto managed to maintain a relatively clean reputation. No MoF official has ever been charged with corruption.

But the activities of some officials are now under the closest scrutiny. Earlier this year Mr Jiro Saito, the top finance ministry official, stepped down after criticism of links between some of his staff and Mr Takahashi that were considered too close.

Now investigators are looking at what some of those officials did. The biggest name is that of Mr Yoshio Nakajima. Mr Nakajima was a former deputy director general of the minis-

Australian opposition to Gen Mantiri's

general had described the army's response

to the Dili massacre in 1991, when 100-200

unarmed East Timorese were shot dead by

Today's 20th anniversary of Indonesia's

Indonesian troops, as "quite proper".

invasion of East Timor has prompted

extensive analysis in the Australian

press. The United Nations recognises

legal authority in Bast Timor.

Portugal, the former colonial power, as

appointment in July this year. The

try's all-powerful budget bureau. But in August he too resigned after revelations that he had received a loan from a colleague of Mr Takahashi's to finance his part-time bealth tonic husiness, an unusual side pursuit for a bureaccrat. Investigators are trying to establish what other relationships there might have been between Mr

Paced with the prospect of a long prison term, Mr Takahashi has so far shown no inclination to be discreet about his contacts. A worried buzz is now circulating in the corridors of some of Japan's most august institutions as speculation grows about bow many other people shared crevices

indicates the president is los-ing patience with splits among

his 40-member cahinet Earlier

this year the investment minis-

ter contradicted statements by

Mr Hartato on the govern-

ment's policy on conglomer-

ates. In a similar yein, Mr

Habibie clashed at the begin-

ning of this year with Mr

Muhammad about export cred-

A government statement

its for high-tech industries.

ASIA-PACIFIC NEWS DIGEST

## Roh trial set for December 18

The trial involving former South Korean President Roh Tae-woo and seven husiness leaders will begin on December 18, prosecutors said yesterday. The seven executives to betried include the chairmen of the Samsung, Baewoo, Dong ah. Dongbu, Jinro, Daelim and Danho business groups. They are expected to receive suspended jail sentences, if convicted. Mr Roh is accused of accepting \$370m (£240m) in bribes.

mostly from the country's leading industrial groups, in return for government contracts and other state favours. Former President Chun Doo-hwan, arrested on Sunday for his leadership of a 1979 military coup, refused to eat for a fourth day in protest at his imprisonment. John Burton, Secut ■ Prosecutors yesterday grilled Mr Lee Sang-hoon, a former defence minister, on allegations that General Dynamics of the

US paid Mr Roh a kickback in a \$5.2bn contract for F-16 fighter US paid Mr Roll a Richard in a selegations. AP, Seoul jets. The company has denied the allegations.

The prosecution yesterday demanded a 20-year prison term for the owner of a Seoul shopping mall which collapsed in June, killing 501 people. Mr Lee Joon, 73, is charged with AP Seoul

China experiences tax shortfall China has acknowledged it faces a serious shortfall in its collection of valued-added and consumption taxes, and has appealed for redoubled efforts by local authorities to collect

unpaid taxes and warned of serious budgetary consequences. "If the collection rate of the two taxes falls behind the goal, the central treasury will not be able to balance this year's budget," a finance ministry official said. "Worse still, there will not be enough money to finance the projects which have an important bearing on the overall economy." The ministry, reported that value-added tax and consumption tax collection was 6 per cent below target at the end of October. It blamed the indifference of local authorities. The two taxes are the main source of revenue for the central treasury and are shared Tony Wolker, Beijing

#### Police 'fire on boom town riot'

Rioting in a south Chinese boom town adjacent to Hong Kong left four dead, Hong Kong newspapers said yesterday. Victims told reporters police fired automatic weapons to quell clashes between villagers and migrant workers in the Shenzhen Special Economic Zone on Sunday. ...

One man was beaten to death and two, including a 17-year-old hystander, were shot dead, Chinese language dailies said. The fourth fatality was identified as a policemen. At least 100 people were injured, 10 of them seriously.

The Oriental Daily News said the clash started when a villager drove a motorcycle over a freshly tarred road laid by migrant workers, most of them from China's impoverished? south-east. This quickly escalated into a full-scale brawl, with rioters ransacking the local Communist party headquarters. Police counter-attacked with a large force of anti-riot officers, including some who opened fire with automatic weapons, it -Reuter, Hong Kong

#### French keep Greenpeace vessels

A French court in Tahiti yesterday refused to hand back the the decision, arguing France has no right to keep the vessels and helicopter under French law.

The court ruled the seized vessels may be needed as evidence in any prosecution, and should be held in French

Mr Duncan Currie, a Greenpeace lawyer, said other court action had been begun in California against the French state and a number of officials for "damages for kidnapping, false imprisonment, assault and battery and interference with civil libertles" of US citizens caught up in the seizures and arrests at Mururoa Atoll.

France will end its nuclear tests in the South Pacific before. the end of February, Mr Charles Millon, defence minister, said. May 31 1996," he told the Senate.

#### Swedes probe Thai bribery claim

Sweden yesterday launched an inquiry into allegations that Kockums, a subsidiary of the defence group Celsius, had offered hribes to members of the Thai government in a hid to secure a SKr2bn (£200m) order for two submarines. Kockums welcomed the inquiry by the General Inspectorate of Military Equipment - a government body that scrutinises weapons exports - saying its findings would support the company's strenuous denial of the accusations.

Kockums is facing tough competition for the contract from a consortium led by Howaldtswerke Deutsche Werft and Thyssen Nordseewerke, and it fears the bad publicity could damage its chances. It says it also lost a Pakistani contract last year because it was wrongfully accused of offering bribes.

The allegations have caused uproar in Thailand where the poor image of the government has led the press and public to give credence to the charges despite vigorous government denials. The opposition Democrat party has also alleged that it was approached by Kockums. Christopher Brown-Humes, Stockholm, and Ted Bardacke, Bangkok

## Suharto combines industry and trade ministries

government has appointed an ambassador of such calibre," Senator Gareth Evans.

Observers in Jakarta note Mr Wirjono

was chosen from a shortlist compiled by

Indonesia's minister for foreign affairs.

Australia's foreign minister, said.

Jakarta was forced to leave the

Canberra post vacant after strong

By Manuela Saragosa in Jakarta

Indonesia's President Suharto has merged the country's trade and industry ministries into a single entity, dropping one minister from his cabinet, in what amounts to his first midterm cabinet reshuffle during his 30-year rule.

The reshuffle is being viewed as a reaction to Indonesia registering its first trade deficit in four years in June this year and a lack of co-ordination among ministers in policy-making. "It should make implementing economic policy more efficient." one prominent Indonesian economist said.

Indonesia's slow growth in nou-oil exports has been a concern for the government,

Indonesia bas appointed a senior career diplomat as its ambassador to Australia following the forced withdrawal of a proposed military envoy earlier this year report Manuela Saragosa in Jakarta and

Nikki Tait in Melbourne, Indonesia's ministry of foreign affairs said Australia had accepted the appointment of Mr Wirjono Sastrohandnjo, who has been bassador in France and Austria, as the new envoy to Canberra.
"It is pleasing the Indonesian

which has said it will announce a fresh economic deregulation package as early

as next month. The reshuffle, effective immediately, leaves key ministers such as Mr Habibie, minister for research and technology, Mr Mar'ie Muhammad, finance minister, and Mr Ali Mr Ali Alatas, rather than from the military's shortlist. The previous proposed envoy, Lt Gen Herman Mantiri, was the military's choice.

Alatas, foreign minister, in Mr Tungky Ariwibowo, previously industry minister, will head the new industry and trade body while the previous trade minister, Mr Yudono Satrio Budiarjo, not considered a key player in Indonesia's pol-

itics, has been dropped from

the cahinet. Mr Hartato, co-ordinating minister for trade and industry, was appointed co-ordinating minister for produc-tion and distribution, a posltion of equal rank in

Indonesia's civil service. His previous hrief has in effect been eliminated and his new role gives him control

over micro-economic affairs. Mr Hartato and Mr Tungky are both known to favour economic deregulation. There is speculation Mr Hartato's new position could signal the opening up of the distribution sector which has been closed to

foreign investment. Observers say the reshuffle

said that, in future, daily co-ordination meetings would he held between the various min-The merging of trade and industry responsibilities is seen as a sign the president wants the cabinet to address worries about sluggish growth in non-oil exports and rapidly

increasing imports.

## Thailand may end mobile telephone duopoly

By Ted Bardacke in Bangkok

Thailand's communications ministry would seek to end the country's mobile phone duopoly and open the market to new players as part of a telecommunications master plan to be presented to the Thai cabinet by January, a senior official said yesterday.

"As soon as cabinet approves the master plan, we will enter oegotiations with the two companies to eliminate the exclusivity clauses in their contracts. said Mr Sombat Uthaisaog, deputy minister for communications. "There is a good chance that within three or four months we will be able to open this area to another two operators." Mohile phone services, with about 1.2m subscribers, are dominated by two companies, Advanced Information Services and Total Access Communications, granted exclusive concessions in return for revenue sbaring-agreemeots with the stateowned Telephone Organisation of Thailand (TOT).

Attempts by Geo Chavalit Yongchaiyudh, deputy prime minister (seen by many as a challenger for the prime minister's office and whose New Aspiratioo party controls the communications ministry), to gain political popularity have led to pressure on the two companies to reduce call rates and monthly service charges, already among the lowest in the world. So far the companies have refused,

saying the government must lower its revenue take, which would then be passed on to customers. The govern-ment has resisted, saying TOT needs the money to invest in providing hasic telephone services to rural reas. Lowering the monthly fee by Bt100 (22.60) to Bt400 would cost the government Btl.44bn a year, according to the communications ministry.

The solution, said Mr Sombat, was to convert the concessions into licences and open the market to increased competition. He played down a recent highly publicised attempt by TOT to start a new mobile network that would be subsidised by revenue from the two private companies, saying the government agency

had other investment priorities. But Mr Sombat was clear TOT had a right to operate such a network and such a right could be exercised if the private companies did not agree to end their exclusivity clauses. TOT has a small and outdated existing network.

Mr Sombat said the crux of the negotiations with the private companies would be to determine the net present value to the government of the exclusive coocessions. That amount would be paid hy the companies to the government in three ways:

a reduction in prices to consumers, equity stakes for TOT, and a liceoce fee. The eventual licence fee would be

the same for newcomers. The Thai government will have an additional incentive lo offer the companies. Mr Sombat said that as part of the new master plan, the country would be divided up into six zooes for fixed-line services. It is expected the two companies will be offered one or two of these zones so that they may enter the fixed-line business

Telecommunications services will be fully liberalised by October 1998, except for domestic and international loog-distance services.

Measures designed to help industry compete in higher technology

## Australia gives boost to economic reform with A\$495m innovation fund

Australia's federal government is to speod AS495m (£229m) over the oext four years on measures designed to encourage the natioo's industry to be more innovative and enhance its ability to compete internationally in higher technology value-added sectors.

The loog-awaited "innovation statement" was released by prime minister Paul Keat-ing in Melbourne yesterday and has particular significance because of an impeoding federal election, due early oext year. The Labor government needs to persuade the electorate that its push for economic reform is not losing steam after 13 years in power. Yesterday's package is likely to be cited as evidence.

What we are about today is good public policy and good government." said Mr Keating. The policies we announced today are not the first word, and certainly they will not be last. They represent steps along the road of continuous improvement".

The contents of yesterday's package include relaxation of it would allocate up to ASSOm



Keating: encouragement for

rules to let banks make equity investments in small to medium-sized companies, and encouragement for a secondtier stock market, which could also improve capital access for smaller companies.

The Australian Stock Exchange welcomed the latter move and National Australia Bank, the largest commercial bank, immediately announced

The government will mean-while spend A\$62.1m on seveo "visiooary" science projects. ranging from seismic research to gene sequencing. Other initiatives include a beuchmarkiog information service, to encourage world "best practice", schemes to speed use of information technology, and an extension to the oetwork of technology support centres.

The notioo of trying to develop Australia as a "clever country", particularly in the cootext of the Asia-Pacific regioo, has been on the government's agenda for some time. But, despite the growth in value-added exports. Australia's trade position still heavily depends oo commodity-type products.

Meaowbile, high levels of public-sector research and development expenditure have offset low private-sector spending, but raised the problem of commercialisation". "There's often a lot of high-quality research in the public sector hut we rarely get it on the market," Mr Keating said. Yesternay's measures include provision for a new "research

The statement was given a warm, but cautious reception hy industry leaders. The Australian Chamber of Commerce and Industry said the measures were "an indication of the complex challenges to echance innovation in Australia".

Economists paid more attentioo to the costs of the programme. The government claims that by tighteoing up on abuse of its existing 150 per cent R&D allowance scheoie, to be retained, and reducing tariff coocessious. it will raise A\$818.5m over the four-year

The surplus of these revenue measures over the costs of the innovation programme would impending initiatives, a housing statement, for example, is scheduled for release next

"Today's developments are neutral for the hudget hottomline," analysts at Bankers Trust said; the government's chances of reaching a budget depended largely ou how it proceeds with its asset sale

MORE IMPORTANTLY, HOW CAN YOU ENSURE THE SAME SUCCESS FOR YOUR COMPANY IN 1996?

UPS AND WHIRLPOOL, TO NAME BUT A FEW, **ACHIEVE COMPETITIVE ADVANTAGE IN EUROPE?** 

IN 1995, HOW DID

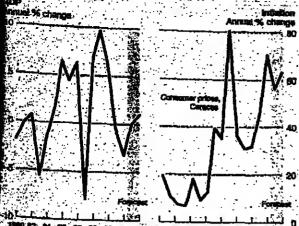
AMERICAN AIRLINES,

HEWLETT-PACKARD,

HITACHI, INTEL,

MADGE NETWORKS,





## Overvalued Venezuela leaks capital

Exchange rate problems compound deficit woes, writes Stephen Fidler

enezuelans, many of whom have never been abroad hefore, have been flying all over the world this year. Courtesy of their government's exchange rate colicy, they have been holidaymaking in huge num-bers in Paris, Madrid and else-

An overvalued fixed exchange rate and an ineffec-tive exchange control regime enabled tourists to buy dollars up to \$4,000 for a trip to Europe - from the government at the official rate of 170 bolivars. These could then be sold in the black market at a rate of 250 or more. With the instant profit in their pockets, travellers have been able to buy their air tickets and finance

their trips. One New York public relations executive says she knows made frequent visits to friends and lovers in the US for free, The Venezuelan government has been subsidising love," she

After Venezuelans applied for and received \$3,2bn of travel dollars in the 15 months since exchange controls were introduced in June 1994, the loophole was closed. Others are still open, however, Imports bought with cheap dollars are still flooding into Puerto Caballo and being smuggled

over the border to Colombia. Venezuela's finance minister, Mr Luis Matos Azocar, admits there has been abuse of the exchange rate regima. And, while he will not say publicly that the policy has been a costly mistake, he agrees it has he changed. Exchange controls will be lifted in the first quarter of next year, he says, and there will be a shift to a unimarket-determined

exchange rate. There will also, inevitably, be a devaluation - whether or not negotiations under way with the International Monetary Fund for a standby loan of up to \$3bn are culminated. Prices have risen more than 60 per cent since the exchange rate was fixed, bammering domestic manufacturers that have found it impossible to compete against cheap

Desnite high imports, Venezuela still runs big trade and current account surpluses. And despite these surpluses, it has been losing foreign exchange reserves at up to \$100m to Om a week. The reason is apital flight: with interest rates lower than inflation and devaluation in the offing. here are few incentives to old bolivars.

orried the central bank, ich believes that, having ilen below \$9bn, gross serves are down to the mini-

tingencies. Foreign exchange is now so tight that the governdollars to dole out at the official exchange rate.

According to Mr Carlos Hernández, a director of the central bank, one of the main problems is "the size and the structure of the fiscal deficit". The deficit has been enlarged by last year's crisis in which banks owning half of Venezue lan deposits collapsed, which has so far cost the government an estimated 11 per cent of gross domestic product.

Chemical Bank in New York, this year's deficit will be almost 13 per cent of GDP. All but 5.9 percentage points, they say, will be financed by increasing debt arrears and the rest through debt issues and printing money.

Arrears with the creditor governments of the Paris Club have built up to several hundred million dollars, according

The shortage of government funds has been behind an increase in oil ontput, to which the government will not officially admit, but which has angered its partners in tha Organisation of Petroleum Exporting Countries. This expansion of oil production has offset a decline in non-oil output to leave the economy about flat this year.

But further increases on this scale are not possible next year, providing one more reason why current economic policles are widely felt to be unsustainable. "We expect the government to do the right thing because it can't just do nothing," asid Mr Henrique Machado, president of Sivensa, a steel company.

Mr Matos, the finance minis ter, said the government had budget deficit to 3 per cent of GDP next year - before privatiagreement with the fund on this aspect of the country's programme. Officials have also said that the deficit would be reduced to zero in two years.

Whether an IMF deal is reached or not, further economic hardships are ahead after three years of recession. Devaluation will bring in its train a sharp rise in inflation. Most forecasters believe growth will be negative and unemployment - officially at 11 per cent but possibly double that - will increase.

"Next year will be hard, if there is an IMF deal there is a prospect that the imbalances in the economy are being corimprove in the future." said one former Venezuelan official.

## Cardoso shores pp radar project

azil's president Fernando nrique Cardoso yesterday ffirmed his support for a hn radar project in the but stressed that the go-ahead for the plans with the Senate, where still needs approval. Cardoso held an extraorry meeting of the national council in an effort to up political support for moret, which has been hit city from government

council stressed the rianci and urgency" of rject awarded last year vilve of the US.

Known by the acronym Sivam, it aims to install radars and sensors in the Brazilian control and environmental monitoring.

it is one of the world's largest environmental projects, and would provide Brazil with much better information to combat environmental damage and drug trafficking.

But the project has been dogged by controversy and Raytheon's original Brazilian partner was disqualified earlier this year amid tax evasion allegations. Last month three members of Mr Cardoso's gov ernment resigned in an influence-peddling scandal indirectly linked to the project.

## US leading indicators index drops sharply

in Washington

The official fridex of US leading indicators dropped sharply in October, prompting renewed speculation that the Federal Reserve may cut short-term interest rates later this month. The Commerce Department sald the index - designed to predict business cycle troughs and peaks - fell 0.5 per cent, more than expected. The fall mainly reflected an unusually large drop in materials prices,

another sign of subdued inflationary pressure. The leading Separately, the Fed released its latest "beige book" assessment of regional busines conditions. This pointed to slower growth but gave no hint of a sharp contraction of activity.

The economy was expanding pace reported in the last beige book", the Fed said. Car sales were down but there were signs of a pick up in retail spending last month after weekness in October. Construction spending was also stronger than expected

Yesterday's data follow a series of mostly weak figures, including higher claims for unemployment insurance and evidence of retrenchment in manufacturing. But econo- least one negative quarter mists disagree on the extent of Bond yields had fallen sharply economic weakness - and the in response to the deterioration Fed's likely response. Some economic outlook and the Fed expect the Fed to signal a quarnow needed to catch up by lowter point cut in short-term, exing rates by half a point interest rates to 5.5 per cent at ... Mr. Ned Riley, chief investits policy meeting on December 19, even if Congress and the Boston, predicted a "growth"

Mr David Littmann, chief economist at Comerica Bank in Detroit, said the economy was skirting the edge of recession. Next year was likely to see "at ment officer at the Bank of

with expenditure reported up a budget accord. If a deal is 26 per cant between September reached, they say larger rate and October. Organisation for Economic Co-operation and Development predicted healthy growth next

rear and warned the Red not to take risks with inflation by lowering interest rates. ing and it would be premature mist at Morgan Stanley in New York. The Fed would not cut and then only by a quarter



## CNN's global TV news faces a hungry pack

White House have not reached . recession" next year "unless

By Tony Jackson in New York

US television glants are queueing to launch a 24-hour television news service to rival Mr Ted Turner's CNN. Mr Rupert Murdoch said last week his News International would set up a global news service while this week ABC, the US TV network, said it too would start a 24-hour news service. first in the US and then

internationally.
Another TV network, NBC, responded with a reminder that it had publicly committed itself to such a service almost a year ago. Both Mr Murdoch and ABC, it said, had left the timing and distribution

of their proposed services very vague. Some time next year it would release its own detailed plans spelling out fiming distribution and

While the idea is not new, the no coincidence. CNN, along with the rest of Mr Turner'e empire, is being sold to the media giant Time Warner for \$7.5bn. Mr Murdoch had hoped to buy CNN himself. Now that it has gone to another suitor, he is free to compete with it.

At the same time, ABC's owner, Capital Cities/ABC, is being sold to Disney for \$19bn. Disney aims et combination of its own Disney channel and ESPN, the sports channel owned by Capital Cities/ABC. A giobal news channel seems a natural

Will the market hear so many competitors? CNN is in an attractive position, with profits of around \$200m. last year on revenues of about \$600m But it is also deeply entrenched, in terms both of its news-gathering network around the world and its

foothold with US cable operators. The cable industry is also suffering from a shortage of channel capacity. but this is likely to increase as a result of new technology and

to compete directly with cable

In addition new forms of

broadcasting such as wireless cable CNN's position may also become more vulnerable as a result of its takeover by Time Warner. Since the mid-1980s, a consortium of leading US cable TV companies has held a stake in Turner Broadcasting. This has given them an incentive to carry CNN's programming

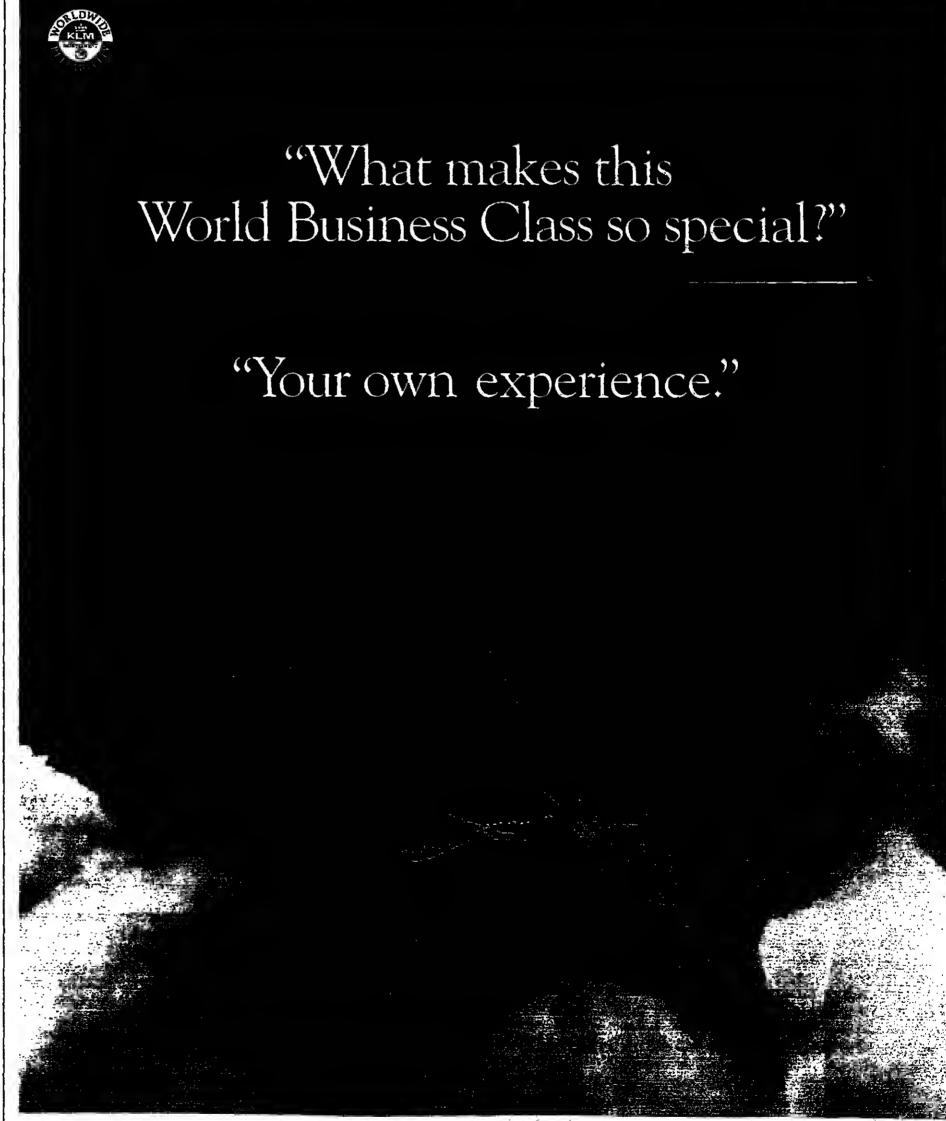
But Time Warner is the second

their main rivals, and more receptive

The final question is how the new services will stack up against CNN in terms of quality.

Mr Murdoch is the king of global TV in terms of distribution, but his US news operation is modest in scope. ABC has nine news bureaux outside the US, but has little direct experienca of international

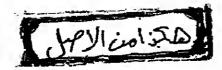
When Mr Turner was told of Mr Mordoch's plans last week, he said he would "squash Rupert like a bug".



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## THE ANSWER: SIMPLY BY **FOLLOWING** IN THEIR

#### **INVESTING FOR SUCCESS**

FOOTSTEPS.

American Airlines, the world's biggest airline, is establishing its multi-lingual pan-European reservations centre in Ireland. It will handle over 2.5 million telephone calls a year and save the company more than \$20 million.

Hewlett-Packard is building a 45.000m<sup>2</sup> manufacturing plant in Ireland for its new 1.000 person investment

Hitachi added two investments in Ireland during 1995; Hitachi Maxell manufacture CD-ROMs and Hitachi Koki manufacture power tools.

Intel located its second wafer fabrication plant in Ireland, bringing total investment to \$2.5 billion, with employment for 4,500 people, It will be the most modern seml-conductor facility in Europe.

Madge Networks, a \$200 million UK producer of network solutions, established its sole European manufacturing operation in Ireland.

UPS established a freephone service for its European operations and three months later was handling over 5,000 calls per day.

Whirlpool's Shared Service Centre now provides internal financial and administration services on a centralised, rather than a country-by-country basis.

#### OTHER MAJOR INVESTORS IN 1995

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#### **NEWS:** UK

## Peugeot to invest heavily at English factory

Pengeot Talbot, the UK car maker owned by Peugeot-Citrõen of France, yesterday confirmed that it expected to receive substantial new investment next year in recognition of productivity gains at its Ryton factory in the English

Mr Richard Parham, Peugeot Talbot's managing director. said: "Although we are confident Ryton will receive future investment, the exact amount

and timing - and for which model - have yet to be discussed and agreed with our

Many industry observers believe Ryton will build the new 205 - almost certainly to be called the 206 - in spite of Peugeot-Citrōen's refusal to comment. The UK subsidiary denied that Psugeot-Citröen had agreed to build a successor to the Peugeot 205 hatchback alongside the Pengeot 306 range now made at Ryton. Speculation about the intro-

duction of a second UK-built

sure that Ryton may take an unusually long summer break next year. Car manufacturers commonly uss the summer shutdown for essential maintenance work or big investments.

The French group has not yet indicated whether it intends to replace the 205, one of the most popular "superminis" built in Europe. However, it is widely expected that a successor model will be introduced to plug the gap between the compact 106 and the bigger 306 range. Analysts expect the late 1997 or early 1998.

A Pengeot-Citroen official declined to comment on the whether the 205, which is still in limited production in Spain. would be replaced or where it might be built. The group, which has a number of factories in France and Spain, has like other leading motor manufacturers suffered from the severe overcapacity in the European car market and has tried to rationalise output. However, the outlook for Ryton, which once seemed desened because of a steady improvement in productivity. Output over the past 18 months has climbed to 2,500 cars a week from 1,600, while the workforce has fallen by 10 per cent to 2,500 over the same

Higher productivity helped Peugeot Talbot to make a profit of about £9m (\$13.88m) last year, although the company expects its earnings in 1995 to be much lower because of the tough UK car market. Ryton, which recently moved France.

producing well below capacity. Peugeot Talbot expects to make about 80,000 cars there this year compared with a potential ceiling of 120,000. Ryton's peak years under Peugeot-Citroen came in the late 1980s, when annual production reached a peak of 118,000 under a two model strategy. However, output fell sharply in the early 1990s as production was transferred to France to maintain volume at Peugeot-Citron's factories in

#### Privatised industries Successful bidder has faced criticism on competition

## Tough bus bosses to buy a railway

Transport Corresponden

Mr Brian Souter, scourge of the bus industry and bete noire of the competition authorities, is poised to get his hands on a chunk of the privatised railway etwork. If his critics are to be believed, his arrival in the rail industry will set off a round of cost-cutting, fare reductions and cuts in services.

His Stagecoach, Britain's most aggressive bus company, has emerged as favoured bidder for South West Trains, one of the first three franchises to be sold under privatisation of the national network.

Stagacoach was sarlier thought to have been eliminated from the bidding for SWT in favour of the manage ment/employee buy-out team. but it is now the favoured bidwinners of bids for the first three franchises to be sold, including also Great Western and London, Tilbury & Southend, are expected within the next two weeks. The other two franchises are both expected to go their managements.

In the 15 years since Mr Souter and his elder sister Ann Gloag set up Stagecoach, the company has been the subject of more than 20 competition investigations and has received six adverse decisions,

In one of the most stinging rebukes delivered by the Monopolies and Mergers Commission the actions of Busways, a Stagecoach subsidiary, were described last August as predatory, deplorable and gainst the public interest This was prompted by Busways' attempt to acquire Darlington Transport (DTC), the town's municipal bus combecame clear that Busways

The bus industry has lived subsequently acquired by supplied by us and relied was not the preferred bidder with expectations of a continus of a continual decline of a continus of a continual decline of a continus of a continual decline of a continual de

shareholders to act against its

directors and senior managers

over failures in the company's

supply to customers, Robert

Shrimsley writes at Westmin-

Mr Richard Page, minister

es, made his comments in

responsible for small busi-

DTC'a drivers on generous terms and ran free services on all its routes. The rival bidder withdrew and DTC went into liquidation.

As several small bus operators told a House of Commons investigation into the bus industry earlier this year, the prospect of Stagecoach decid-ing to contest a town was enough to fill the toughest

managers with dread.

But while the attention of the public, and of rival bus operators, has focused on Stagecoach's appetite for acquisitions, the company itself has been keen to emphasise that its growth has come as much from providing ser-

A minister appeared yesterday sides over Yorkshire Water. those able to shift production

companies might relocate out-

side the county of West York-shire as "ona of the dafter

ideas to come from the unfunny comedians". The MP was referring to a letter sent to

West Yorkshire businesses

to encourage Yorkshire Water shareholders to act against its Labour MP attacked Yorkshire

in the number of passengers. number of other operators have found that new buses, the careful planning of routes, and co-operation with local authorities over bus lanes can reverse. this trend.

This combination of organic growth and acquisitions has made Stagecoach into the largest UK bus operator with 6,500 vehicles and a 13 per cent: share of the UK market. Mr Souter'e 23 per cent share in Stagecoach is worth around £70m (\$108m).

He can look back on a long-term family involvement in the bus industry. His father was a bus conductor for 40

His onslaught began when a Labour MP attacked Yorkshire Weter's suggestion in the drought-ridden summer that Labour MP's view of this, for ment home." Mr Page said: "I

he began his reply by saying: .
"I have been in this house long

indefensible". But Mr Page's

strongest words came when a

Conservative MP suggested

Strathclyde University. "Some people can paint or have a great interest in Rembrandis. he said on one occasion. "Tve got a natural gift for buses, a specialist skill."

Ruthless though he is in business, Mr Souter says he is charitable in his personal life. He is an evangelical Christian -a member of his local Church of Nazarene - who neither drinks nor smokes.

Despite his frequent run-ins with the competition anthorities he remains mahashed. He described the actions of the MMC as shocking. "They ignored empirical evidence of lower

else, perhaps ruming a retirement home. Mr Page said: "I agree that perhaps the share-holders of Yorkshire Water

matters within the company in

the follness of time."

#### **UK NEWS DIGEST**

## **Production fall** hints at slowdown

Official figures yesterday showed that Britain's industrial production fell a seasonally adjusted 1 per cent in October, largely because of the unusually hot weather. The data wrong-footed City of London forecasters, who had expected a slight rise in production Manufacturing output grew by a seasonally adjusted 0.2 per cent in the month, roughly in line with expectations. The decline in overall industrial production was attributed to lower gas and electricity output, as consumers cut hack on fuel consumention. cut back on fuel consumption.

Some City economists yesterday seized on the data as evi-Some City economists yesterday seized on the data as evidence of a slowdown. They warned that growth could slow even more sharply in the months ahead because official data suggest thet industry is now holding excess stocks. These fears about broader economic growth were strengthened by signs that the Central Statistical Office's leading indicators which plot trends months in advance - continue to point to s

Mr Ian Shepherdson, UK economist at Midland Global Mar kets, said that manufacturing data were "clearly disappointing there could be worse to come if destocking comes quickly in the New Year, the Treasury seems extraordinarily complacent about this risk". Others insisted that the outlook remained reasonable. Ms Helen MacFarlane, UK economist at Hoare Govett, said that output "is certainly not collapsing under the

need to adjust inventories".

The Treasury insists that growth remains on a steady path.

Officials expect some de-stocking to occur in the coming months, they believe this will be gradual. Meanwhile some officials — and Mr Kenneth Clarke, the chancellor of the exchanger — suspect that the CSO data on stocks and growth

#### Gillian Tett, Economics Staff

Accountants hit by top damages Personal assets of most of the partners of Binder Hamlyn, one of Britain's leading accountancy firms, were under threat yesterday after a record 265m (about \$100m) award for damages. In the High Court yesterday, Mr Justice May swarded the damages against BDO Binder Hamlyn, s prede to Binder Hamlyn, because of information the firm had volun-

teered during a takeover bid. The firm will appeal With interest and costs, the claim is understood to amount to a total of £105m - easily the highest damages ever faced by a UK accountancy firm. The High Court was told that BDO's insurance cover fell short of the £105m total claim by £34m. As result UE firms are likely to step up efforts to limit accountaints liability. One of the Big Six firms has already created a limited company to carry out major audits - two others are likely to announce similar reforms before Christi

#### Jim Kelly, Accountancy Correspondent

'Mad cow' scare deepens Government efforts to play down growing concern about the health risks of eating British beef sppeared to be failing yesterday as an influential trade organisation representing school caterers called for a cut in beef consumption. The Local Authority Caterers Association said school caterers should troversy over bovine spongiform encephalopathy - widely known as "mad cow disease" - had been resolved.

The association's warning conflicted sharply with ministe rial claims that there is no scientific evidence of a link between BSE and Creutzfeldt-Jakob disease, a rare but often fatal disease affecting humans. Concern has mounted since senior scientists including Professor Sir Bernard Tomlinson, an adviser to the government on health reforms, disclosed that they had advised their families not to eat beef.

Mr Douglas Hogg, the agriculture minister, insisted yester-day: "We do not believe that BSE is transmittable to humans, but against the possibility that we might be wrong about that and we don't think we are - we have also put in place various controls within the slaughterhouses that prevent any

of the potentially infective agents getting through."

About 40 protesters staged a sit-in to try to block live animal exports to France which began yesterday at Poole harbour in south-west England. The shipments have been switched from Dover because of mechanical problems on a berth there. It is expected the exports from Poole will continue for four days while repairs take place.

#### Kevin Brown, Westminster

Rules on share-out to change Ministers are drawing up new guidelines on the allocation of funds from Britain's hugely successful National Lottery, in the wake of the controversy generated by grants given to recipients ranging from the Churchill family to a prostitute outreach group. Mrs Virginia Bottomley, heritage secretary, has expressed dis-the mational may at some of the awards, which she believes have given the lottery a bad name. She wants

to ensure that lottery money is channelled towards worthy causes and certain themes. Among the special causes favoured by ministers are medical charities, charities which belp the victims of crime, churches and Victorian civic features such as urban parks and seaside piers. Ministers are obliged by law to respect the independence of the five bodies which distribute lottery cash, but they plan to issue guidance on the areas they want to see prioritised for grants.

The National Heritage Memorial Fund generated controversy when it spent £11.5m on buying Winston Churchill's papers from the Churchill family. Meanwhile the Arts Council's 255m grant to the Royal Opera House in London was criticised because it was seen to be at the expense of smaller George Parker, Westminster community arts projects.

## Tories head for further rift on Europe

came under fire from both which offered the idea that relocating, "it is some of the said the company.

Minister attacks water company chiefs

#### By Kevin Brown, Chief Political Correspondent

The governing Conservative party's pro-European Members of the European Parliament will today challenge the gov-ernment's increasingly scepti-cal approach to the European Union with a series of policy papers calling for a substantial move towards integration.

One of the papers, written by Sir Jack Stewart Clark, the group's spokesman on civil liberties, calls for tough new powers for the EU ombudsman, and a European consular service to represent EU citizens in the intergovernmental conferthird countries.

lish the papers reflects a deep on integration. But the co-ordi-

rift between most Conservative MEPs and Mr John Major's government, which has sought to bridge divisions among MPs at Westminster by ruling out further integration.

Eurosceptic MPs were outraged by papers published in the summer, which urged greater powers for the Euro-pean parliament and suggested the transfer of immigration and border controls from national governments to the EU. The papers released today are described as personal contributions to the debate over the government's approach to hird countries. ence next year, which will The group's decision to pub-

nated publication of a group of pro-European papers is intended to reinforce recent attempts by leading MEPs to challenge what most see as a that would be legally binding

Eurosceptics are likely to be particularly angered by Sir Jack's paper, which adopts the language of the Citizens' Char-ter, launched four years ago by Mr Major, to promote an increase in EU integration.

It says that restrictions on the voting rights of EU citizens living outside their own coun-try should be ended, allowing citizens of all 14 other member countries to vote in UK parliamentary elections. The ombudsman, whose role

dangerous drift towards isola- on the EU and national governments. The paper also calls for moves to guarantee equal legal treatment of RU citizens throughout the union through reforms such as making wit-ness summonses enforceable in all 15 countries, and treating the union as a single area for bail purposes.

It says that special attention should be given to an overhaul of the EU's extradition convention to tackle the reluctance of some member states to extradite their own nationals to

## Engineering employers' group backs EU works councils

enough not to try to defend the may wish to consider other

Conservative MP suggested "Wa strongly dispute any that, rather than business allegation of mismanagement",

#### By Robert Taylor, **Employment Editor**

The Engineering Employers' Federation is to urge member companies to adopt the European Union's works council directive even though the UK's opt-out from the social chapter of the Maastricht treaty means the regulation does not apply. The decision by the country's largest manufacturing employers' association to take a positive attitude to workplace con-

will irritate ministers who have penies what the directive means for and consultation, but it will become redundancies and the transfer of own-sought to protect Britain from what the engineering industry. they see as the adverse effects of the directive. The regulation applies to all transnational companies operating inside the European Economic Area (except for the UK) that employ more than 1,000 workers with 150 in at least two EU member states.

Early in the new year the federation plans to run a European Commissionfunded series of roadshows throughout the UR's regional centres when it added: "Not only is it the first trans- of whether they recognise trade sultation and information committees will explain to its 5,000 member com- national law dealing with information unions, in cases involving collective European basis".

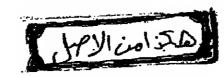
The federation estimates that 66 UK engineering companies will have to introduce e works council for their mainland European employees and up to 900 UK subsidiaries of non-Britishowned companies will also be dures or systems introduced under affected. The federation said in a briefing paper released yesterday that the works council directive "Is fundamentally important for the UK". It collective basis in the UK, regardless

future Labour government which signs the social protocol."

The federation has found no companies in the UK that intend to exclude their British workers from any procethe directive. It also points out recent legal changes that also require companies to consult their employees on a hish Republic. The company said the

ership of an undertaking, British chemicals giant ICI has

negotiated a works council for its 24,000 employees across Europe, and the new body will meet for the first time today in London. The 27-strong consultative body covers employees in the UK, France, Germany, Spain, the Netherlands, Belgium, Italy and the meeting will "have the opportunity of . reflecting employee opinion on a pen-



FINANCIAL TIMES THURSDAY DECEMBER 7 1995

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# What sort of policy forces these people outside?

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#### Worth Watching · Sheila Jones



#### **Fatty acid fed** to foetus

A technique that delivers a vital nutrient to the foctus and may prevent severe developmental problems bas been demonstrated by Israeli scientists at the Weizmann Institute of Science.

Research showed that a fatty acid of the omega-3 family can be injected into the amniotic fluid, which fills the sac enclosing mammalian foetuses. Until now, the nutrient could be provided only as a supplement through the mother's diet.

Because the fatty acid is essential for the formation of nerve endings in the brain, eye and other organs, it may help to prevent foetal growth retardation. which occurs in 5-10 per cent of pregnancies and is responsible for about a third of low-birthweight

Weizmann Institute of Science: Israel, tel 8343653.

#### Disorder may bring a pattern to chaos

Bringing order out of chaos may require a little disorder, according to US scientists working on chaos theory at Georgia Institute of Technology.

In computer simulations, an array of identical pendula subjected to the same electronic impulse displayed chaotic behaviour over space and time. Organised behaviour patterns emerged when each pendulum was given a different length and

different impulse.
The team believes that the findings, which are published in the Journal Nature, could ultimately lead to methods for improving the performance of electronic systems by exploiting variations in their components, and to new techniques for controlling diseases such as

epilepsy.

"We think many patterns we see in nature are aided by

randomness and disorder," says physicist William Ditto. "This will lead us to think about systems in dramatically Georgia Institute of Technology. US: tel, 404 894 5216.

#### Future promise of prototype melter

US developers of a "highly efficient" electric alumini melter say a prototype is near

The melter, expected to be on the market next year, is designed to outperform the gas-fired reverberatory melters that dominate the market, using direct current plasma arc technology.

Electric utilities backing the project say the new melter could lift their revenues significantly about 8m tonnes of aluminium are melted in the US annually. The new melter processes more metal than comparably-sized gas-fired systems, the developer say, and cuts the amount of dross produced as a by-product. It uses a graphite electrode as the dc cathode and argon to create a stable plasma medium through which electric current is passed. The new units show thermal efficiency of 70 per cent, say the

makers. The project is funded by Centerior Energy, TVA and Alabama Power, with the Electric Power Research Institute in

EPRI: US, tel 412 268 3243.

#### Measuring the milk tank

Hugonnet-Japy, the French milk tank manufacturer, has produced a digital dipstick to give farmers constant measurements of their milk stocks and sales.

The system is based on an electronic sensor linked to a float. An electrical pulse is sent between the bottom of the tank and the float, which is converted into a read-out of volume in

Many farmers still use mechanical dinsticks, but a trend in some parts of Europe towards larger tanks - of around 5,000-6,000 litres - means greater accuracy is needed, says Japy. The company says the gauge is also designed to belp farmers manage dairy berds more

Japy: France, tel 80718205; UK. vel (0) 1296 436101.



Italy still bear faint scars of a failed idea. The hope was that by introducing ROBOTICS robotics and anto-

Volkswagen's Hall

54 car assembly plant in Wolfsburg

AT WORK mation on an unprecedented scale, and thus sharply reducing dependence on expensive and inflexible workforces. Europe's car makers would be able to match their Japanese rivals on costs and quality. In so doing, they would at last be able to repel Japan's apparently inexorable invasion of Europe's new-car markets.

That was in the 1980s and early 1990s. Eventually, both companies realised that the manufacturing systems so expensively created were themselves too inflexible to adapt fast enough to changing demands in a new-car market frag-menting into an ever greater number of model niches.

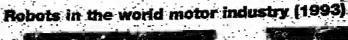
This realisation coincided with the awareness that the Japanese success lay not in robotics and automation but in superior organisation of all the buman and mechanical elements of production.

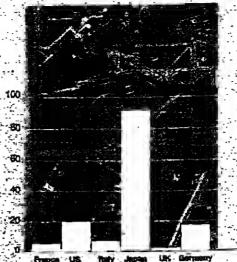
Today, the motor industry worldwide remains the largest sectoral user of industrial robots. But robots bave become the car assembly workers' servants, not their masters; although there are exceptions. most notably the framing stations where robotised multi-welders assemble each unpainted bodyshell with almost no human intervention.

Of the world industrial robot population, estimated by the United Nations and International Federation of Robotics at 610,000 at the end of 1994, at least 40 per cent is estimated to be used in the motor industry.

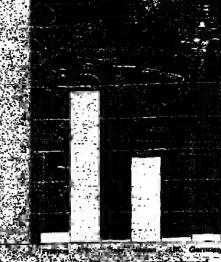
Japan's motor industry remains by far the most intensive user of robots. Thera are 810 for every 10,000 people employed in the indus-try - more than four times the ratio of the French or UK industries. Its total stock of nearly 92,000 dwarfs the US industry's 20,000. However, according to research by the OECD, the IFR and others into value added during production, the presence of vast numbers of robots in Japanes car plants has not of itself led to big

gains in labour productivity.
In the 1980s, as a UN annual report on industrial robots pointed out, productivity was by no means Japan's main rationale for installing so many robots. Japan at the time was experiencing labour shortages to a much greater extent than the US. This factor, coupled with Japan's encouragement of lifetime employment, provided the main driving force for investments in robots for assembly-line tasks. However, that was by no means





Robot stock\*



Number of cars manufactured

## Servants of the assembly line

European car makers have found that robots are only part of the solution to their production problems, writes John Griffiths

clear to VW. or to Fiat when its Cassino plant, near Naples, first began producing the Tipo and Uno models. They were built by an army of automated transfer lines and Comao robots, created by Flat's own robotics subsidiary. Bodies were jigged and spot-welded at entirely roboticised framing stations, carried on integrated computer-guided transport systems to paint plants to be robotically painted, and later mated to their engines and gearboxes by robots.

Parts of the cars' interiors, such

as dashboard modules, were inserted and connected by robots and doors were located and hung by seeing" robots.

Not only was Cassino in its original form too inflexible in the most fundamental production proces such as body assembly, but it failed to yield the boped-for productivity gains as more human intervention became necessary to circumvent the concept's rigidities.

Melfi, Fiat's new plant, which is also in the south of Italy and now producing the Punto, incorporates many lessons learned from Cassino - and, in turn, they have been passed back to Cassino. Now Cassino is producing the new Bravo/ Brava range just voted Europe's "car of the year", along similar lines to Melfi. At Wolfsburg, too, team-working and flexible, lean production have been increasingly introduced.

The greenfield Melfi facility, producing Fiat's successful Punto model, can reasonably claim to be Europe's most modern, integrated car plant. A substantial robot population is still present - indeed, body assembly, welding and drive-train installation remain wholly automated; but in all other areas robots have the role of facilitators of tasks, not as buman substitutes. Despite the high production capacity, approaching 10,000 cars a week, the robot population, at around 340, is less than the 400-plus of the original Cassino.

Few analysts expect significant technological change within the industry leading to important new types of robots. Apart from their main usage in spot welding, robots already pick up, line up and attach doors, install front and rear windscreens, visually check dashboard displays for correct working, "sniff" for leaks in finished cars and, increasingly, install soft trim modules on final assembly, the last relative labour-intensive area.

Instead, there is projected to be, as the IFR puts it. "a process of steady technological improvements leading to falling prices [for robots] and improved technical adaptation to new robot installations".

Audi's revolutionary, aluminiumbodied A8 saloon car, produced out of a partnership with Alcoa, the US aluminium giant, is a case in point, Multi-axis robots cluster round its aluminium space frame body in much the same way as a steel multi-welder system. But a look at the C-clamps of the robot heads finds no electrodes or heavy current-carrying cables, Instead, there is a rivet feed and the robot jaws are found locking the frame together with self-piercing rivets. Much less space is needed around the robot bead for the process.

If, as the system's creator, a small Walsh-based company called Hen-rob, is correct and the system is transferable to steel, smaller and nimbler robots could provide even

greater flexibility for the v designer in the crucial body

assembly stage. Even in the next stage of : bly for an aluminium bodie the adding of surface body 1 evolution rather than revolut robotic applications is most Such panels require bonding. than welding, but this means cing welding feeds with tul supply bonding agent rathe

any basic change in robot de The number of robots motor industry will conti-grow. Partly this will be duever greater variety of specil continuing to be found.

More significantly, they required in growing numb leading component supplies as the UK's GKN, Italy's ! Marelli and Germany's Bosch. For it is these first-t pliers which carry the main: of designing, developing and facturing ever more comple ponent systems for feeding car makers' assembly lines.

Next month the series for

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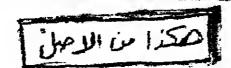
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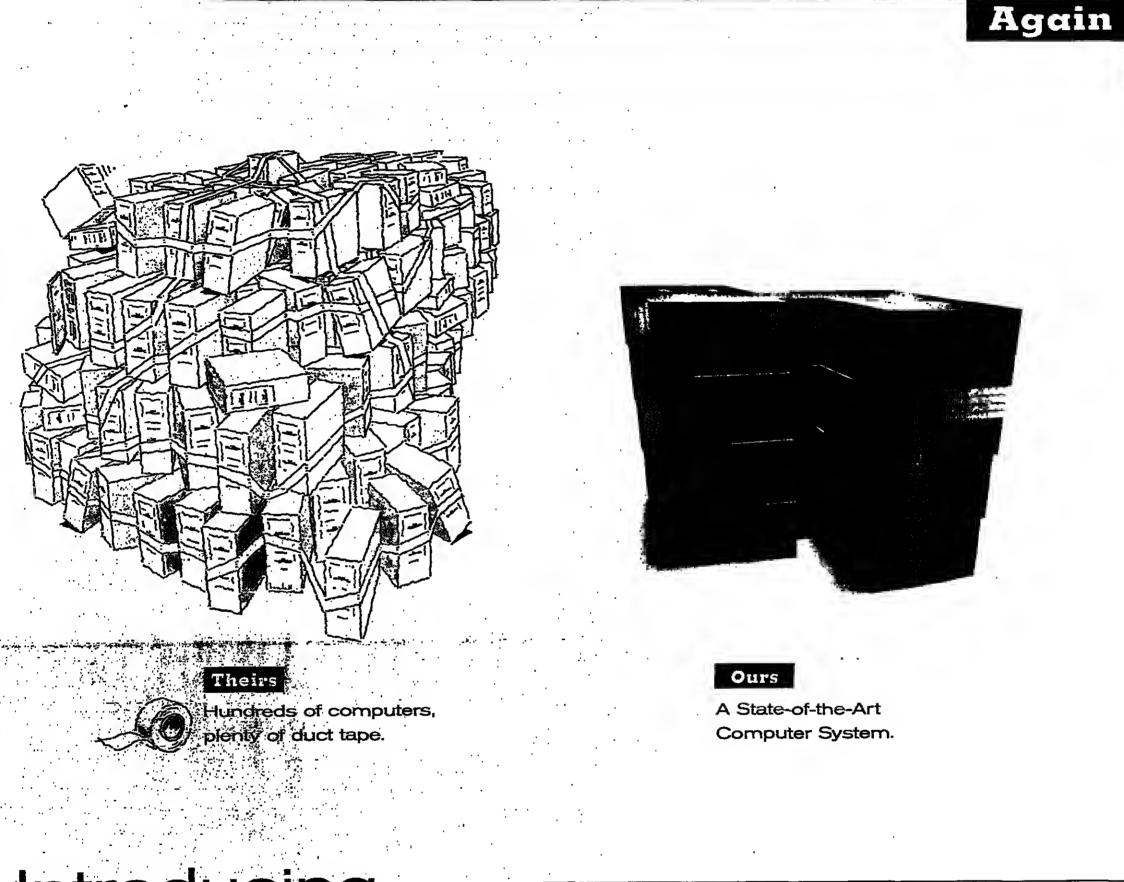
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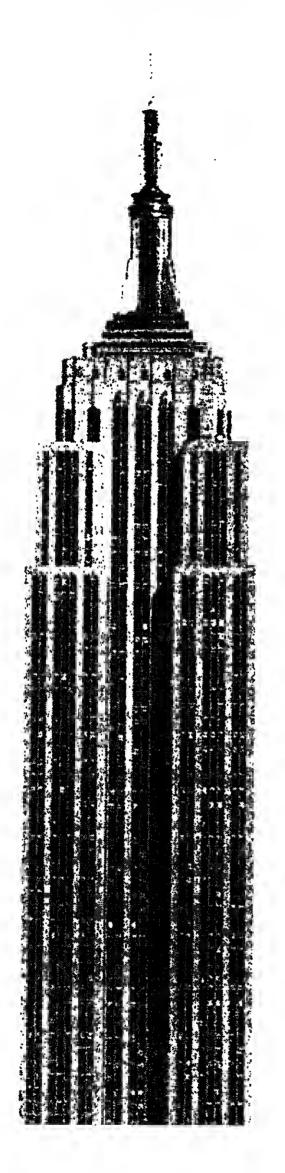
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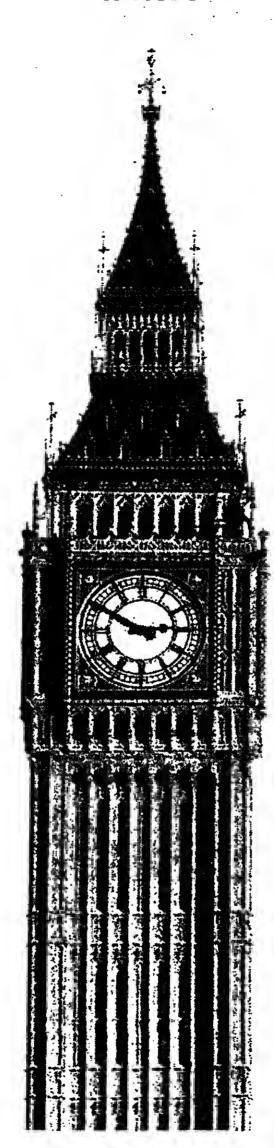
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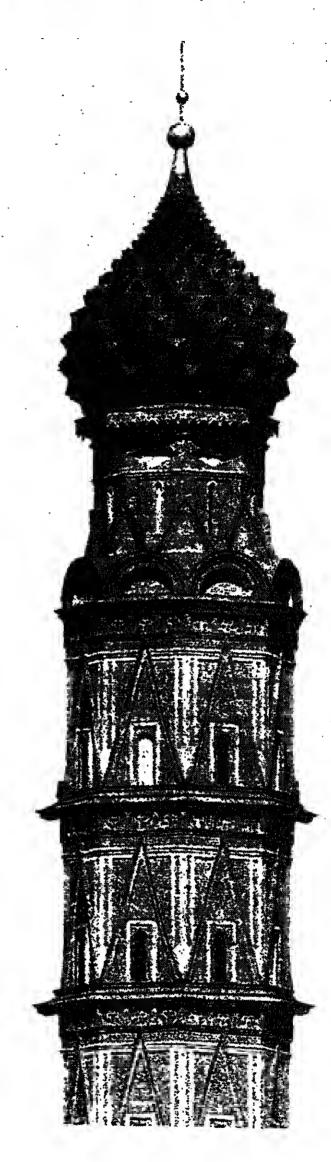


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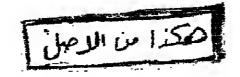
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# Washington whimsy

THE AMERICAN PRESIDENT Rob Reiner

UNSTRUNG HEROES Diane Keaton

THE BROTHERS MCMULLEN **Edward Burns** 

ANGELS AND INSECTS Philip Haas

DR JEKYLL AND MS HYDE David F. Price

hich constitutional historian was it who remarked that the Britain is a republic headed by a monarch while the US is a monarchy whose head is called a president? This provocative comparison comes to mind in The American President, whose breathlessly starry-eyed depic-tion of the White House and its denizens suggests that Rob Reiner is the Crawfie of the Pentagon. The sensitivity of Stand by Me has gone flabby, the saturcal vision of Spinal Top is glaucomatous. But the period of goodwill fast approaches, and what better for the seasonal numbers than a blend of Cinderella and Mr Smith Goes to Washington? Not for nothing does the security guard swap Capra film titles with excited Sydney Ellen Wade, environmental lobbyist,

president in his lair. An sttractive widower. humane, caring, humorous, ordering the bombing of Libya only as the last resort, father of a cutely perceptive teenage daughter, he fails for her, of course; but with fewer of the difficulties we might have predicted. Sydney accepts the

aving lead the pack

of pantos last year

n Gran

the Young Vic has

chosen this year to hunt in more difficult terrain with The

Jungle Book More difficult, as

director Tim Supple himself

has acknowledged, because while the fairy stories grip by

plugging straight into subcon-

scious fears of abandonment

and cruelty, Kipling's stories

are more remote, their appeal more mysterious. We do not

empathise with the animals,

we are fascinated by them and

emphasises the strangeness of

the world we are viewing. His version is admirably faithful to

both the spirit and the letter of

Kipling's prose, but he makes

it work for theatre by staging

their ways and laws. Supple's stage adaptation works wonderfully because he

plicity.

as she arrives to beard the

nary a hint of bulimia, never a whiti of an internationally telewhith or an internationally tele-vised confessional. Tougher to take this being America where the head-of-state is frighteningly head-of-govern-ment is her lover's political wheeler-dealing with the

causes dear to her heart.

It must be said that Sydney Ellen Wade is the most naively soft-centred lobbyist you will find outside Peter Pan's campaign to sava Tinker Bell. Slickly scripted by Aaron Sorkin, with glossily painstaking re-creations of presidential venues, the whole thing is as winsome as all get-out. Connaissants will research. noisseurs will treasure the state dinner where the wide-eyed newcomer thaws the bored French presidential couple with what passes in Ameri-

can films for fluent Gallic

It is saved, just, by Michael Douglas as the president who finds integrity (and, we infer, popularity: only in fairy-tales do the two go together), a sup-porting east that includes Mar-tin Sheen and a wasted Mich-ael J. Fox, and above all Ellen Wade. All idealistic bubble and adorable, embarrassed squeak, she has the gist, like Capra, of making you tolerate cominess. But most fascinating of all is the reverential awe towards the president, as man, official and symbol, that permeates the film. It makes the constitutional monarchies of uorth-west Europe look as matey as Jack and Vera.

Steven Lidz, protagonist of Unstrung Heroes, is 12. His father is an inventor, his mother loveably maternal. The happy status quo is shattered." by his mother's cancer. Steven's realisation that she is dying and his father's inahibity to cope emotionally sends the. hoy hotfooting it to his two mad uncles in their garbagepiled flat. Arthur is a gargantuan scruff, a sweet natured slob. He



**ARTS** 

Starry-eyed depiction of the White House: Michael Douglas and Annette Bening in Rob Reiner's "The American President"

that might need a home, and salvages halls from sewers in the belief that they hold the echoes of children who played with them much as a shell whispers of the sea. Danny is a raving paranole, convinced that "Idaho" means "Jewhater" in Cherokee, that everything, even a pancake, is bugged, and that "they" are closing in. Steve finds affec-tion, wacky excitement, even

religion, to the fury of his

lapsed orthodox father.
It is part of an American tradition of family eccentrics recollected with love, plus the sugar-coated morality of something like You Con't Take It With You. But the director is Diane Keaton, who steers clear of both sentimentality and corn by coaxing marvellons performances from everybody. Andie MacDowell's dying mother, radiant with love even when worn with Illness, John

uncaring, merely not noticing his children's needs; and young Nathan Watf as the boy, mercifully un-cute but heart-rendingly vulnerable. A funny, touching film, it generates more good will than wistful Washington whimsy.

There is a direct link between Keaton and The Brothers McMullen. Edward Burns' first feature won the Grand Jury Prize at Sundance this year, and in his speech the director thanked his mother for making him see Armie Hall, Indeed. this study of the education sentimentale of three Irish-American brothers, wryly articulate dialogue against a real New York hackdrop, recalls Woody Allen with a Catholic conscience instead of Jawish

worry. Jack, married to wonderful Molly, is fored into an adulterous fling. Barry is committed to non-committal, an almost

pathological bachelor until he meets a girl who may be the right one. Recently graduated Patrick mixes devout Catholi-cism with romantic idealism always earnestly perorating about the imminence of the one true love - and pragma-tism. He finally breaks with his possessive Jewish girlfriend whose father promises a home and a job. Intelligent, engaging and well acted (the director plays roving Barry), the film presages well.

Alexander Balanescu's music for Angels and Insects is a poisoned, slightly sinister impression of Victorian ballroom dances. An air of foreboding, as in an Edward Gorey drawing of high-buttoned respectability, adds an ominous feel to the beautiful visuals of Philip Haas's evocation of 1860s English country-house life. It saves the film from the occasional danger of resembling a frilly Victorian valentine come office boy pocketing the teamoney.

William Adamson (Mark Rylance), a hard-up naturalist-ex-plorer, is taken up by the wealthy Alabasters and marries the lovely Eugenia (Patsy Kensit) to the hitter disgust of her arrogant brother (Douglas Henshall). The pallid wife is languidly fecund; parallels are drawn with the insect world, the breeding queens and courtier ants, the slave labour and social hierarchy found with these creatures (T.H. White, in The Once and Future King, used ants as the prototype fas-

cist society). The sensitive Rylance's flat, northern tones make an effec-tive foil to the gilded gentry but fatally punctures the tension when, discovering his wife locked in incest with her brother, he asks This has been going for some time, hasn't it?" like an Alan Bennett character catching the

Based on a novella by A.S. Byatt, the film has a sort of Henry James flavour: English

civilisation as viewed by a not always comprehending foreigner. Perhaps it is because Patsy Kensit uses the word "nauseous" in its moderu American sense, to mean nauseated. Another Victorian has been

plundered for Dr Jekyll and Ms Hyde. Crass, gross and naff, this comic updating to corpo-rate America has a punched nose running gag, a camp gay running gag and burly-youngman-in-women's-clothes run ning gag. It also boasts the week's worst performance, from a Briton, I regret to say: Lysette Anthony, all-mumbling, all-stilted, all-woodeu, who must be the first actress in the history of the cinema far as the microphone.

all his worth, and similarly

strength of technique). It was, in sum, a view of the rote - so often played, so often badly played, and so misun-derstood - which asserted its continuity in Russia, in the century since its was created. through apostolle transmission from ballerina to ballerina. This superb lineage also enhanced the role's resonance as a masterpiece of danced

sian dancer.

#### scours rubbish tips for junk Torturro's boffin dad, not Theatre/Sarah Hemming

### The Jungle Book chases end fight sequences, onourably. All this, and the

music played on a buttery of percussive instruments and

The narrative is clear: we follow Mowell (an appealing but proud Ronny Ibutti) from his arrival in the jungle through four stories: his acceptance into the wolf pack, his tuition at the hands of Balco and Bagheers into the laws of the jungle and his near-disastrous escapade with the monkeys, his unhappy attempt to rehi bilitate among mankind and his triumphant return to the jungle with the hide of Shere

it with vivid clarity and sim-Khan the tiger.
The first words of the even-The stage is equipped with ing are "Good hunting" and: only the bare necessities of hunting and hunger are drivtheatre: the circular arena is ing imperatives throughout all strewn with red earth, tha the stories, so that the law of the jungle emerges as harsh but honourable; Shere Khan is props consist of one rock, one tank of water and a hoop, while overhead a metal walkway allows for exciting, noisy a villain because he kills dish-

Everything else relies on the mysterious, ancient feel to the physical ability of the actors hook, is skilfully suggested, as and Adrian Lee's atmospheric, too is the imate dignity of the animals. They never lose their focus, become discursive or cute. With not a furry costume among them, the actors suggest the animals they are playing by posture and gesture

The wolves, clad in grey, have an intent alertness (Sarah C. Cameron and Dan Milne are particularly good); Gary Bryden's Basheera has a svelte. languorous heaviness; Simon Coury as Baloo (who, in a brown cordurey habit bears a distinct resemblance to Friar Tuck) is somewhat square and ungainly. Clive Mendus'a Shere Khan, meanwhile, despite his fine striped coat and cruel claws has a certain shabbiness and brute mean-

Most impressive of all is Andy Williams as Kaa, the ancient rock python. A tall,

powerfully built man, with his shaved head, narrowed eyes patience, wiliness and enor-mous strength, while somehow managing to be completely alien. On the press night, when he began his sinewy dance to hypnotise the monkeys, there were some sniggers, but they soon stopped as he whirled his enormous stick terrifyingly over the andience's heads. If there is a problem with the

show it is that, not being about scheming, messy humans, the drama lacks intrigue, compli-cation and humour. Where Disney compensated for this with dancing bears, grumbling vul-tures and marching elephants, we have to wait until Mowghi comes among men for a few welcome comic interludes and witty asides. The second half of the evening, as the feud between Mowgli and Shera Khan comes to a head, is more gripping than the first. But this is a powerful, fluent staging that suggests all the fasci-nation and ancient mystery of the original

Continues at the Young Vic. London SE1 to January 27 tion and Phil Willmott's direc-tion are strong and compelling

#### Theatre/Ian Shuttleworth

## reasure Island

ir Bernard Miles productions of Treasure Island at the Mermaid have passed into legend; Glyn Robbins' annually revived adaptation for Vanessa Ford productions is unlikely to follow it, although it fares well enough at keeping large par-ties of children relatively silent for two and a half hours.

Miss Ford - producer of numerous children and christmas shows, and currently for Roy Marsden's Pageant Thea-tre Company in its Mermaid season - makes a couple of brief appearances herself, wringing her hands and voice as Jim Hawkins' mother and carousing as a whore in a Bristol tavern. However, in performance as in narrative, this is a classic boys' story, with its sus-

pense, action and derring do by voung Jhn. Or rather, It ought to be. Disappointingly, Robbins' adapta-tion and Phil Willmott's direcon narrative, but perfunctory on the action itself. Cutlasses a-plenty whirl around in several well choreographed combat scenes (one expects no less from fight director Malcolm Ranson), but the dramatic tension remains on one note for most of the time. Suspense is not even cranked up by periodic billows of dry ice across

Roy Marsden is really quite imposing as Long John Silver. He swaggers and growls, but resists the temptation to stump along the Robert Newton path; this is a supremely confident Silver, always to control and never betraying fear even in the face of the mutiny by his fellow buccaneers. And yes, a live parrot does make a few cameo appearances on his shoulder, although sadly it has not been trained to squawk

pieces of eight!" Barry Stanton puts his lungs into the role of Billy Bones, bellowing and spluttering for

enjoys cranking up the pomp as Captain Smollett, aiming at middle-period Stratford Johns and almost attaining that impressive magnitude, Ray-mond Plait grabs almost all the laughs in the second half as the ragged, marooned Ben Gunn, begging in a febrile quaver of a voice for some cheese after seven years' deprivation on Skeleton Island.

Paul Basson couveys the sense of Jim Hawkins as a witness to exciting events, but does not really engage when Jim himself performs heroic deeds. This is symptomatic of Robbins and Willmott's approach in general: we get the story told with workmanlike respect, but little sense of why tt has captivated so many over the last century.

At the Mermald Theatre, London EC4, until January 13. (0171 236 2211).

# INTERNATIONAL

#### **AMSTERDAM**

CONCERT Tel: 31-20-5730573 The Young Christmas: by Parker. Performed by The New London Orchestra with conductor Gerard Breas, The New London Chorale and The New London Choir, 8.15pm; Dec 8, 14

EXHIBITION Stadelijk Museum Tel: 31-20-57329 ● Emmy Andriesse - fotografie: retrospective exhibition of work by the Dutch photographer Emmy Andriesse (1914-1953), particularly known for the photographs she made in Amsterdam in the winter of 1944-45. The display includes tashion photographs, portraits of artists, and photographs Andriesse made white travelling in Europe during the last project she worked on; from Dec 9 to Jan 14

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Invocation of a Demon Brother; 7.30pm; Dec 9 ... DANCE Staatsoper unter den Linden Tel: 49-30-2082861

Apropos Scheherazade: a choreography by Bějart to music by

Ravel, Stravinsky, Rimsky-Korsakov and traditional transan music, performed by the Ballet unter dan Linden, Conducted by Daniel Barenboim, costumes designed by Gianni Versace; 7pm; Dec 8 OPERA & OPERETTA Komische Oper Tel: 49-30-202600

 Giustino: by Handel Conducted by Charles Farcombe and performed by the Kornische Oper, 7pm; Dec 8

#### ■ DUBLIN

CONCERT National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711533 National Symptony Orchestra: with conductor Reinhard Seifried and the RTE Philharmonic Choir perform Mozert's "Symphony No.38 (Linz)" and Mendelssohn's "Symphony No.2 (Lobesgang)"... Soloists include sopræxos Mary Hegarty and Maire O'Brien; and tenor Adrian Thompson; 8pm; Dec 8

#### ■ HEISINKI OPERA & OPERETTA

Opera House Tet: 358-0-403021

Die Fledermaus: by J. Strauss. Conducted by Arl Angervo and performed by the Finnish

National Opera; 7pm; Dec 8

#### HAMBURG OPERA & OPERETTA

Hamburgische Staatsoper Tel: 49-40-351721 La Traviata: by VerdL Conducted by Michael Halesz and performed by the Hamburg Oper. Soloists include Veronica Villamoel and Elisabeth Steiner, 7.30pm; Dec 8, 13

#### ■ LONDON

AUCTION ... Christies South Kensington Tel: 44-171-5817611 Original Book Illustrations and Modern tillustrated Books: including works by Beatrix Potter and Ernest. Howard Shepard; 11am; Dec 8 CONCERT Barbican Hall Tel: 44-171-6388891

 The Daily Telegraph Christmas Gala Concert The London Concert Orchestra, conducted by David Arnold, perform works by Humperdinck, Anderson, ilmsky-Korsakov, Franck, Fucik, Puccini, J. Strauss, Tchalkovsky, and carols for all. Soloists include socrano Adele Paxton and tenor Julian Gavin; 8pm; Dec 10 Royal Festivel Hall Tel: 44-171-9604242

 The London Philharmonic: with conductor Franz Welser-Möst and beritone Thomas Hampson in New York Meets Vienna", a programme of vocal and prohestral music by Porter, Gershwin, J. Strauss and others; 6pm; Dec 10 St. Martin-in-the Fields Tel: 44-171-8398362

 Choir of King's College School: with conductor Michael Jenkins perform Christmas music and carols; 7.30pm; Dec 9

Wigmore Hell Tel: 44-171-9352141 Finnish independence Day Concert with baritone Jorna Hynninen and planist likka Pagnanen. The programme includes works by Klipinen, Trad/Gothoni and Sibelius; 7.30pm; Dec 8

#### **LYON** CONCERT

Auditorium Tel: 33-78 95 95 95 Orchestre National de Lyon: with conductor Günther Herbig and cellist Yvan Chiffoleau perform works by Florentz, Hindemith and Ravel; 8.30pm; Dec 8, 9 (6pm)

#### **MUNICH**

DANCE Nationaltheate Tel: 49-89-21851920 La Fille mai gardée: a choreography by Frederick Ashton to music by Hérold, performed by the Bayerisches Staatsballett, Conducted by André Presser, 7.30pm: Dec 8

#### ■ NEW YORK

AUCTION Christies, Manson & Woods International, Inc. Tel: 1-212-546-1000 Important 20th-Century Decorative Arts: Including arts and crafts and architectural designs; 2pm; Dec 8, 9 (also 10am)

Alice Tully Hall Tel: 1-212-875-5050 Cleveland String Quartet: perform Haydn'a "String Quartet Op.76 No.5", Congliano's "String Quartet No.1" and Brahms' "String Quartet

In A minor; 2pm; Dec 10 EXHIBITION The Metropolitan Museum of Art Tel: 1-212-879-5500 Textiles of Late Antiquity: exhibition of Late Antique (dating from the 4th to 7th centuries A.D.) and related early Islamic period textiles from the museum's collection, including large wall

and omamental pieces; from Dec 14 to Apr 30

hangings, furniture coverings,

several complete funics and hats

#### **PARIS** CONCERT

Salle Pleyel Tel: 33-1 45 61 53 00

Orchestre des Concerts Lamoureux with conductor Claudio Scimone and the Société des Chanteurs de Saint-Eustache perform Schubert's "Magnificat" and Mozart's "Requiem"; 5.45pm; Dec

EXHIBITION Institut Néerlandais Tel: 33-1 47 05 85 99 Dick Ket (1902-1940). Tableaux et dessins: exhibition of eround 50

paintings and drawings - mainly still lifes and self-portraits - by the Dutch artist Dick Ket; to Dec 17 OPERA & OPERETTA Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Osud: by Janácek. Concert performance by the Orchestre National de France and the Choeur

de Radio France, conducted by Jeffrey Tate. Soloists include Livia Aghova, Eva Randova, Hanna Schaer and Peter Straks; 8pm; Dec

#### **■ STUTTGART** OPERA & OPERETTA

Staatstheater Stuttgart Tel: 49-711-221795 Love for Three Oranges: by Prokofiev. Conducted by Gabriele Ferro and performed by the Oper Stuttgart; 8pm; Dec 8

#### SYDNEY EXHIBITION

Art Gallery of New South Wales Tel: 61-2-225-1700 The Fauves: between 1904 and 1907 a group of artists including Matisse, Derain, De Vlaminck and Braque applied non-naturalistic and often disconcerting colours to otherwise conventional subjects. A contemporary critic described the art as that produced by wild beasts or "Fauves". This exhibition of around 90 paintings intends to survey the entire range of Fauve subjects; from Dec 8 to Feb 18

#### W VIENNA

**OPERA & OPERETTA** Wiener Staatsoper Tel: 43-1-514442960 La Traviata: by Verdi. Conducted by Asher Fisch and performed by the Wiener Staatsoper. Soloists include Giusy Devinu, Kelth Ikava Purdy and Kim Josephson; 7.30pm; Dec 8, 11

#### A great Russian dancer

Ballet

chill Monday ulgbt. The weather closing is. Swan Lake is Moscow City Ballet's own and optimistic version. The beart does not sing at the prospect - until you see the strip across the posters: "Guest appearance by Ludmita Semenyaka". These columns have charted

Semenyaka's dancing for nearly 20 years, starting with an astonishing first viewing in Paris with the Bolshol. Amid the animation and snowfishes and dolls in Nutracker, we saw a young dancer with a purity, a sweet decorum, that went straight to the heart of the audience as it did to the heart of classic ballet. Since then, I have rejoiced in an artistry which has proclaimed, as have few other ballerinas, the grandeur of the academic dance, its formal harmonics.

its emobling power.

The storms which have lat-terly riven the Bolaboi — which the Leningrad trained (and how that shows) Semen-yaka joined soon after gradustion - and the diaspora of Rus sian artists that has ensued bave brought a variety of guest appearances. (Sometimes in unhappy surroundings, as during a season most notable for its shameful neglect of her gifts by English National Bailet under Ivan Nagy). I cannot pretend that Moscow City Bal-let is an ideal frame for Semenyaka - its Swan Lake is more interesting in production ideas than in realisation - but it allowed us to see once again ber grandly eloquent Odette and ber chilling, inexorable

Odile. Ou Mouday, despite an orchestra eager to take Tchaikovsky down a peg or two and Dimitri Romanov as a Slegfried more royal in name than in manner. Semenyaka was an Odette in the great tradition, the only artist in Britain able to dance the role as it should be danced. The reading was aristocratic in statement -Rucinian phrasing - and no less so in feeling. The second act's adagio was stated with such inevitability, such dignity, that we saw an interpretation which told everything na's art. Her Odile was malign, but distinguished in utterance: terrifying glances at Siegfried, but not one moment of vulgarity, and no coarseness of style. (Semen-yaka's line is all harmony and balance: our local aspirants might learn that extravagant extensions speak of the weakness of bravado rather than

romanticism, and Semenyaka revealed its undiminished power over audiences. Here was classic art: beautiful, inevitable. Here was a great Rus-

Clement Crisp Moscow City Ballet is on tour.

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Economic Viewpoint · Samuel Brittan

## Anglo-Saxons, no gloating

The Juppé stabilisation programme deserves support, and ending the 'franc fort' policy does not provide a workable alternative

It is a pity that the best word to describe all too many decided on the streets. A cul-English reactions to the French industrial upsets is the ture of overturning vehicles German Schndenfreude. A and breaking windows to search for a French equivalent obtain objectives may have proved difficult. One colleague heen understandable under suggested simply joie mauunaccountable Bourbon monvaise. Another suggested ricaarchs. It is an anachronism more than two centuries after the French Revolution. nement des malheurs des autres (derisive laughter at the misfortunes of others). But Margaret Thatcher fought her battle against union disprobably the best suggestion came from a French-speaking ruption and violence at the time of the 1983-84 miners' Swiss, who said that there was

no good translation and that strike and later during some French speakers used Schoviolent newspaper print disputes. Her victory owed nothdenfreude themselves. Howing to the British talking clasever it is translated, it is all who evaded the issues by too appropriate. Yet the battle that French indulging in criticism of the prime minister's personal prime minister Alain Juppé is fighting is to make France characteristics. Yet now that a French govinto a modern economy that can afford an updated welfare ernment is belatedly tackling state. It is a common battle in most European countries. The way in which so many

pean currency in 1999, whereas the last thing that

Margaret Thatcher wanted

when sbe fought a similar bat-

tle against union extremism in

the early 1980s was for it to he

linked with European institu-

tions in any way. Yet it is the

the growing welfare deficit -

monetary manipulation.

exchange rate policy.

very similar problems, too many British commentators are simply gloating at the dis-English-language newspapers ruptions to Paris transport and the normal flow of French and politicians have been gloating about French troulife. Most amazing of all, the hles is pretty nauseating. ones who are gloating most It is ironical that the French are those who regard themgovernment should find it selves as Tory Thatcherites. Their excuse is that Juppé's belpful to wage this battle in the name of meeting the criteria to launch the single Euro-

troubles come from the pursuit of European monetary union; and that if he were to be defeated on the streets Emu would fail. More immediately they hope that the franc fort policy of staying close to the D-Mark would bave to be abandoned. They dream of a French White Wednesday or mercredi blanc.

same battle; and it will have There are rumours of a drato be fought, whatever the matic monetary declaration There are at least two before every Franco-German ssues. There is the reform of summit. But oot wanting to French welfare, especially as count on summitry, I suggested a few weeks ago it relates to the public sector. Sooner or later some French that the French authorities government would have had should make more use of the to tackle laws that provide for 15 per cent margin in the retirement for train drivers at enlarged ERM as a weapon to the age of 50. Moreover it is fend off speculative attacks sheer delusion to suppose that and to reduce their reliance on an interest rate premium above Germany. This was on which was the immediate spur to action - can be made to the assumption that there was disappear by reducing interest nothing much wrong with the rates or some other form of central franc-D-Mark rate and that Emu remained a goal. But the time for such tactics Secood, there is the even

hance hy slashing interest rates would be hauling up the white flag.

The underlying idea of the Europhobes is that if the Chirac-Juppe administration dropped the franc fort policy, France would experience an economic renaissance and probably the rest of Europe too. But this is wishful thinking. It presnpposes that the franc ia overvalued against the D-Mark, for which there is little evidence. French inflation has been below German over the past five years. In recent months inflation in the two countries has been fluctu-

ating around a common range. France has been running a current payments surplus for several years, while reunited Germany has been running a moderate deficit. Much more important: French unit labour costs have increased by much less than German unit costs. both over the past 10 years and more recently. The interest rate premium reflects not the realities of recent cost per-

3.7 .-

3.8

The French franc in the ERM

Unit labour costs in national currencies

Against the D-Mark (inverted scale) FFr per DM

or another French government will be paricked into a dash for growth, which really would put the French hack into the high inflation league.

Some devaluationists also say that the French current balance of payments would swing from surplus into insup-portably large deficit if the French unemployment rate were to drop substantially. Devaluationists say that about every country they examine; and we cannot all devalue against everyone else.

The chart of labour costs does auggest, however, that there is something wrong. But the currency which is overvalued is the German D-Mark relative to the other main cur-

rencies of the world. The labour costs chart plots an index relative to the main industrial countries and it shows Garman industry becoming steadily more uncompetitive. It has in fact done very well through product and process innovation and vigorous overseas selling to keep the payments deficit

have warned about the prob lem of high labour costs and there are frequent reports of household-name companies shifting their new investments to the former communist countries or further afield. On labour cost criteria, the French competitive situation has not deteriorated nearly as much. But it has deteriorated to the extent that the franc has been pulled higher with the German D-Mark. Currencies can only be under or overvalued in rela-

tion to each other. The yen is overvalued (although less than before) in relation to the dollar; and the D-Mark is overvalued both in relation to the dollar and to Germany's southern neighbours and perhaps also the UK. Germany can just about manage with an overvalued D-Mark against Italy, Spain, the UK and even the US. But if the German currency also became heavily overvalned in relation to France and its other northern European trading partners.

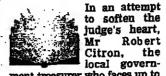
of the franc. The UK and the Mediterranean countries were sufficiently peripheral to get away with "independent" policies conducted in their supposed national interest after the 1992-93 crises of the ERM. This would not apply if Germany's more immediate neighbours joined the game; and a cur-rency war would be more likely than a genuinely freely floating foreign exchange market, if the deepest wisbes of the prematurely celebrating Eurosceptics were granted.

more important issue of bow needs to be chosen carefully. formance but a fear that this as low as it is. But both Chan long French politics are to be Reacting to industrial distur- or another French government cellor Helmut Kohl and lead ing German industrialists

something would snap. It would then be extremely difficult for a German government to hold the line against demands for retaliation or countervailing action of some kind. So far from having a White Wednesday, France would find itself threatened with retaliation; and it is doubtful whether it would be allowed to get away with an uncontrolled downward float

BOOK REVIEW - Christopher Partes BIG BETS GONE BAD: THE LARGEST MUNICIPAL FAILURE IN US HISTORY By Philippe Jorion Academic Press, \$19.95

## Distorted reflections in the treasurer's mirror



judge's heart, Robert Citron. the local government treasurer who faces up to 14 years in jail for securities frand associated with Orange County'a spectacular 1994 bankruptcy, has pleaded "dementia". His lawyers have written to the court where he is due to be sentenced later this month, proposing proba-

tion as punishment enough. Tha 70-year-old has also claimed "county representa-tives and outsiders who were far more aophisticated and knowledgeable about matters concerning securitlea and accounting abould share the

The county's allegations of misconduct against Merrill Lynch, the securities house, and other "outsiders" in the events that dissolved the Californian county's investment pool into a \$1.7bn deficit have yet to be tested in the courts.

But what of Mr Citron's cronies in the local chapter of the American Society of Public Accountants in a county that annually generates more wealth than the entire economy of Israel? Even as the citadel was toppling, they awarded him a gong for "exemplary contributions to government and the quality of life".

And what about the Orange County administrative and leg-Islative elite, which solidly hacked him in his election campaign in early 1994 for a seventh consecutive term as county treasurer - despite earnest, reasoned warnings? They appear to have been mesmerised by the distorted reflections in the mirror of Mr Cit-

ron's greatness. As Mr Thomas Riley, one of the county supervisors responsible for overseeing the treasurer, said during the 1994 campaign: "This is a person who has gotten us millions of

dollars. I don't know how in

the hell he does it, but it makes us all look good." This hlithe, damning quotation opens one of the more telling chapters in this account of the Orange County debacle, by Philippe Jorion, professor of finance at the University of California, Irvine.

Jorion, who teaches the theory of derivatives to business and management students, is more than a local academic. As a resident of tha county, he is also a victim of the crash and estimates that the losa will cost him a total of \$3,500.

But he has manfully put this behind him and laid a trail through the financial derivatives jungle where Mr Citron's reputation met its fate. He illustrates how the county gambled everything on a hun-dle of derivatives in a bet that would pay off only if interest

rates fell. Mr Citron claimed prescience on interest rates. "I am one of the largest investors in Amerhe boasted in 1993. "I ica." know about these things."

But he learnt a thing or two more when the Federal Reserve raised interest rates six times last year. The parochial Mr Citron persisted, the author suggests, because he convinced himself that the US recovery was in peril and that rates would be lowered on the basis of a sluggish recovery in his home state.

Jorion helpfully highlights telltale signs of impending doom that guardians of civic wealth may care to watch for. They include the fact that the county treasurer had no college degree, an understandable criticism from a professor of finance. But the most damning indicator was the unshakeable consensus in the county administration that Mr Citron could do no wrong, "In a militantly tax-averse political environment, he produced enormous revenues painlessly, thus allowing government to function and expand," says Jorien. Little surprise, then that Mr

Citron did not take criticism well. For example, when Goldman Sachs wrote criticising his market mangeuvres in late 1993, he replied, arrogant and vindictive, that the the investment bank did not understand "the type of investment strate gies we are using ... I would suggest that you not seek doing business.

Thus, whan compalling attacks on his investment strategy emerged during the 1994 election campaign, no one listened. His only rival in the election, Mr John Moorlach, a certified public accountant. claimed with apparently pin-point accuracy that the value of the county pool had fallen by \$1.2bn as of May last year.

Mr Moorlach sent a detailed description of what was going wrong to the aupervisors advis-ing them to "prepare for a worst-case scenario". But they hung on to the fantasy that their treasurer was infallible.

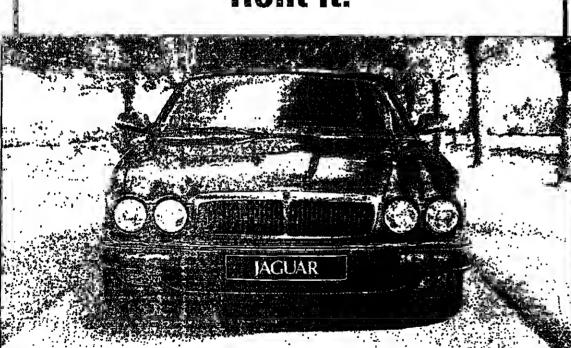
"Citron had made the supervisors' political lives easy: they could win elections as enemies of taxation while running a government awash in revenues," writes Jorion.

There is probably a fatter, cleverer hook to be written, which would fill in some of the gaps. It might explain, for exampla, why the Securities and Exchange Commission, the US regulator, and two rating gencies found nothing to disturb them when they investigated Mr Moorlach's claims. But a better insight is

unlikely to emerge into why Mr Citron, who is finally judged to have prospered more on luck than judgment, tookbuge risks with taxpayers' money. It was solely to keep his reputation inflated. The lesson Jorion points out

is that the financial market is no place for fat egos. The lesson the Orange County Superior Court may care to draw is that, while Mr Citron may be in the dock, responsibility for. the debacle embraces a far

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## LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44.171-873 5938 (please set fax to fine). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

## Short-term by fashion

From Mr William Wallace. Sir, You report ("Institutions express doubt over Granada's bid for Forte", December 4) that institutional investors are expressing doubts about Granada's bid for Forte because "diversified groups are out of fashion". Conglomerates were apparently the institutional fashion of five to 10 years ago; now the approved trend is towards concentration on "core businesses". Perhans in five years fashions will have

changed again? Most of my savings are tied up in the institutions which manage my pension, my life assurance and my personal equity plan. All of these are intended to have a 20-30 year term - to support my

retirement income from 2010 to 2030 or so. I find it exasperating that the City berd of institutional managers and analysts charge around from takeover to takeover, picking up and dropping briefly fashionable ideas using the money entrusted to them for long-term investment to make repeated short-term trades. And this they do to little apparent benefit to the UK economy or to the long-term value of my savings (which partly depends upon the future of the British economy).

I would enthusiastically divert my savings to a financial institution which declared that its policy was to invest for the long term, to resist takeover bids in all but the most exceptional circumstances, and instead to play an active and critically supportive role in the companies in which it holds

shares on my behalf. I suspect such a financial institution would perform better over a 20-year period than those which churn portfolios through stock markets year by year; its management costs would be lower. Could the FT advise on how best to identify such an unfashion-conscious institution?

William Wallace, 49 St James's Drive, London, SW17 7RN, UK

#### Unido needs restructuring, but is trade driven undermined by funding cuts be beneficial which has helped

bring about this situation.

From Ms Fiona Jebb. Sir. You are right in your editorial "Unidon't" (December S) to cite the "patchy track record" of the United Nations Industrial Development Organisation in promoting worthwhile development, especially when it comes to stimulating foreign investment

As highlighted in the May/ June issue of Corporate Location this year, a mere 69 companies used Unido projects to invest in the developing world in 1994. This is a dismal record. Yet it is precisely the sort of unilateral withdrawal of

funding that you believe will

Unido relies on a network of overseas offices to promote its investment projects but in the last two years both the German and US governments have decided they will to longer pay for offices in Cologne and Washington. Meanwhile, there is no office in London because the UK government was only willing to put up half the funds

required. These cost-cutting actions have merely served to deny Unido access to the very companies it must target. I hardly need emphasise that

these three countries are among the main suppliers of foreign direct investment to

poorer nations. While a restructuring of Unido is certainly long overdue, the unilateral withdrawal of support by the most commercially minded and commercially active of donor nations has traditionally undermined rather than usefully refocused Unido's activities.

Fiona Jebh. editor, Corporate Location, Nestor House, Playhouse Yard, London EC4 5EX, UK

#### Catholic teaching and constitution

From Bishop Donal Murray. Sir, Philip Stephens ("The church divorced from its people", December 2), reflecting on the recent referendum in Ireland, writes: "One or two more liberal members of the hierarchy adopted a subtly different tack. stressing that their opposition stemmed from the threat posed by divorce to the cohesion of Irish society. Donal Murphy (sic) insisted that the issue was not one of 'obedience to the Church' but rather the vital role society should play in supporting the family.

A little research might have revealed to Mr Stephens the fact that the "subtly different tack" is clearly expressed in the statement issued by the bisbops: "It is not a question of whether or not the teaching of the Catholic Church should be removed from the Constitution. The simple fact

that something is in harmony with the Church's teaching is not in itself a reason to keep it in tha Constitution, but neither is it in itself a reason to remove it. The proposal should be evaluated in the light of the social implications of introducing divorce. Some further research would have revealed that this "subtly

been the stated position of the frish bishops for many years. In 1973, in relation to proposed legislation, the Irish Bishops said that "those who insist on seeing the Issue in terms of the State enforcing or not enforcing Catholic moral teaching are. . . missing the point". They repeated this in June 1976, adding the following aignificant elaboration: "The question to be decided in matters of this kind - as far as state law is concerned - is the impact on society which a

different tack" has repeatedly

change in the law would be likely to have. Would it tend to change the character of society for the worse, to weaken the family, to make decent living more difficult for the young This is the type of question which has to be faced by legislators or, in the case of a proposed change in the constitution, by the electorate

as a whole l attempted during Mr Stephens' courteous interview with me to indicate that his questions were based on the mistaken idea that the bishops bad instructed, or would even think of instructing, Catholics how they should vote on such a matter. Ohviously without

Donal Murray, Clnain Mhuire. Killarney Road Bray, Co Wicklow.

#### Supermarkets' idea of choice misguided such choice to the perceived

From Ms Angela Paxton. Sir, It is hardly surprising that UK consumers are suffering from choice fatigue considering the average 17,000 product lines stocked in new superstores. Most of this "variety", as noted by Lucy Kellaway ("Consumer choice in shades of pastel", December 41 is entirely spurious. The logistical operations employed

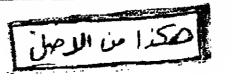
by supermarkets to supply

"discerning customer" are impressive, but misguided, Retailers, through concentrating on the provision of vast but uncalled for product ranges, are failing to address sboppers' wider anxieties about the ecological and ethical costs of the food system. Little wonder that alternative forms of food

bliying, such as local food link

schemes and ethical supermarket chains, are springing up. Incidentally, relief from the chore of choosing is an off-cited bonus for many of those participating in local food links, Food multiples should take note.

Angela Paxton. SAFE Alliance 38 Ebury Street, London SW1W OLU, UK



## FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday December 7 1995

## The florin in your pocket

Germans. Everyone in Europe seemed reasonably happy to mud-die along with the Ecu as the name of the future currency, until someone started a scare in Ger-many. They said it didn't mean anything in German, and they didn't know how to pronounce it. Worse still, it had a track record of being weaker than the D-Mark.
And if you translated the letters
as the European currency unit, it
was little more than an invitation

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to inflation Now it is back to first base, and the EU leaders who gather in Mad-rid next week are being urged to take an instant decision.

So what's in a name? in a world where cash is on its way out, where we soon will all be using plastic and cashless transfers does it really matter what we call the stuff? The pound in your pocket, that concept so beloved of Harold Wilson when he was British prime minister, is on its way out, regardless. Hard cash will come a thing of the past, just . like the guinea, the thaler and the

. The truth is that it does matter, at least to persuade the European public at large to accept their new currency. It needs to be simple, easy to understand in a string of languages, redolent of stability, familiar and yet fresh. The trouble is that the good bureaucrats, who agonise about such things in many tongues, are in danger of coming out with a horrible com-

acceptable to everyone, and devoid of meaning if anything the Euro is attached to all sorts of negative things, not just in Britain: Euro-scepticism, Euro-sclerosis, Euro-pessimism, and Euro-phobia. Who talks of Euro-stability?

Mr Theo Waigel, Germany's finance minister, seems to like it. They could go on using Euro-marks in Germany, Euro-france in France and Euro-guilders in the Netherlands - but then the currency would not have a single

At one stage it looked as if Chancellor Kohl could accept the Franken, as a gesture of solidarity to France (where they are per-fectly happy to keep the Ecu). But the Brits don't like anything so Gallic, and Mr Felipe Gonziles is absolutely adamant that anything

called the Franco would be quite macceptable in Spain.

So what about the Crown? It translates into all the EU tangues, and sounds perfectly simple and strong. Most European countries have had them at some stage in the past. And it could even be made to look like the ring of Eurostars from the EU flag.

The trouble is, it smacks of monarchism, which won't go down well with the stannch republicans in Paris.

What is needed is a name that is common in all languages, with a tradition dating back to the Mid-dle Ages, an arra of stability and promise: the Euro.

It sounds like the worst sort of surely the Florin.

## Gas deadlock

More than two weeks have passed since Mr Tim Eggar, the UK energy minister, urged the UK gas: industry to resolve its differences nver take-or-pay contracts. But nothing much seems to have hap-pened. The minister's intervention was unwise. Apparently, it has hardened the resolve of North Sea gas producers not to make any concessions to relieve the plight of

British Gas is locked into contracts to buy North Sea gas at prices far above the prevailing spot market price. Understandably, it wants help, either in easter contract terms, or government concessions on tax and regulation.

In any other industry, there would be no question that the problem should be resolved by the contracting parties themselves. And it is still much to be hoped that this will happen. Although the producers cannot be expected to sacrifice the value of their contracts, there may be scope for adjusting the timing and volume of deliveries to ease the pressures and preserve a healthy market.

However, this being the previously highly regulated gas indus-try, now in the throes of liberalisa-

tion, there are wider considerations which, some have argued, warrant some government One is British Gas's claim that

The company thinks this gives it a moral case for compensation because it entered into take or pay contracts based on the previous deadline of 2002.

But this is not an acceptable view, Changes in government policy are no more compelling a rea-son to pay compensation when company fortunes go badly than they are for a windfall profits tax when they go well. In any case, ish Gas in 1986 makes no policy commitments either way. The argument also implies that

British Gas was happy to enter into expensive contracts so long as it knew its monopoly was safe. If so, it should now pay the price for its unwarranted presumption. The more serious concern is

that British Gas's losses could disrupt the gas market and even force a postponement of full liber-alisation. The government has already hinted that price cuts for the domestic consumer could be delayed as part of the process of sorting the contracts out.

If this were to happen, it might

justify political intervention. But, despite British Gas's self-interested attempts to make it appear disaster is imminent, the situation is not yet critical—and could improve in fainte. The liberalised gas market of today offers British Gas the opportunity to display commercial instincts, rather than behave like the unresourceful creature of government it once

#### its losses are partly due to ministers' decision to bring the liberal-

Korea's choice

given President Kim Young-sam a chance to push the economic liber-alisation and deregulation he has always claimed to favour. Unfortunately, the government may lack the will to end its cosy relation-ship with big business, which lies behind the corruption.

Korea's application to join the

Organisation for Economic Co-op-eration and Development reflects a realisation that the old approach to economic management will not work much longer. Korea has been phenomenally successful. But the past mixture of low wages, subsidised loans and trade protection meant that much capital was frittered away. To grow and compete, especially in higher technology products, business must learn to rely less on govern-

ment patronage.
Such a change will not be easy. The large companies, or chaebol, argue that the government needs them as much as they need it, because they create Knrea's wealth. Stock market weakness since the crisis broke signals a need for caution in the short term. This may explain the leniency towards most of the businessmen

involved in the scandal. Yet to prosper in the long run, Korean industry needs a more competitive business environment. Its capital market must properly reward success and punish failure. That would assist the development of small innovative companies, hitherto deprived of

resources. The large chaebol need to focus on what they do best, instead of following each other, as a herd, into every activity from shipbuilding to semi-conductors. shipbuilding to semi-conductors.

Spinning off divisions and selling more shares, on the stock market would reduce the concentration of economic power, broaden abare ownership and granacte more democratic corporate governance.

The sinch finite scandal, has revealed the state of the public resentment invaries the charbol. But it gives life Kim-antis leeway because it promises to draw a line.

hecause is promises to draw a line under the political legacies left by Korea's fermer, military rulers. The most damaging of these is the festering sure left by the massacre of protesters in the southern city of Kwangjo in 1980. Any leader who deals with that will enjoy strong public support, even for radical change. The extension of the corruption inquiry into Kwangju and the arrest of former president Chun Doo-hwa for his part in that affair puts Mr Kim on

the right track. Now he is aiming for a fresh political start. Though he is Korea's first civilian president since 1961, this will not be easy. He himself joined the ruling party in 1990, before the end of military rule and still risks being tainted by that period. But a vigorous acceleration of economic reform would be a logical accompaniment to political renewal Such an opportunity does not present itself.

## A risk of indigestion

John Plender asks whether Gerry Robinson of Granada has overreached himself in seeking to dislodge Sir Rocco Forte

ritish fund managers have a weakness for heroes Mr Gerry Robin-son, chief executive of Granada Group, is one of them. Until he took the television-to-restaurants concern into a bid battle with Sir Rocco Forte's hotels and catering empire, he was regarded by many in the City as the very model of the 1980s super-man-

Yet now he is accused by anonymous critics among the investment institutions of reviving the worst kind of 1986s-style conglomerate deal, Has the hero of Granada over-reached himself with this £3.3 billion heatile hid? lion hostile hid? The question is of perticular con-

cern to Mercury Asset Management, the giant of the UK fund managethe giant of the UK find manage-ment business, which dominates the combined share registers with around 14% per cent of Granada and just over 13 per cent of Forts. In effect, Mr Robinson and Sir Rocco are competing for a mandate from Mercury and others to run Forts's speaks, which range from ton hotels. assets, which range from top hotels such as the Plaza Athénée in New York to roadside businesses such as Little Chef and Welcome

Few deny that Robinson has done well so far at Granada. He is also on strong ground in tilting at a group that has performed poorly in terms of earnings, dividends and share price. Forte is widely regarded as having been undermanaged and the Granada camp has hit a rewarding target with its assault on low-yielding "trophy" hotels. Forte's long running battle for control of the Savoy Group was a propaganda gift to any bidder proclaiming to pro-

mote shareholder value.

But while some big investors are prepared to back Robinson as a manager of assets of whatever kind, others question whether he is best qualified to rejuvenate the Forte brand names. The notion that management is a magic quality that can be deployed with equal effect in different industries has failed to stand the test of time in a number of well-known cases. And the accusa-tion that Granada's bid harks back to the period of macho deal making and III-considered conglomeration bas partly stuck.

Mr Robinson is, after all, an alumms of Lord Shepperd's food and drinks group Grand Metropolitan, as are three other members of the Granada board. Few British compamies fit so neatly as GrandMet into --what US investment sage Mr Warthe "gin rummy" school of management: pick up a few businesses here, discard a few there. Investors then confront a proliferation of goodwill write-offs and restructuring provisions, as they struggle to grasp the operating performance of the underlying business.

That, perhaps, is a warning signal, rather than a specific charge against the Granada management although goodwill write-offs and restructuring provisions are very much a feature of Granada's accounts. And Mr. Robinson himself points out the irony in criticisms of his skills in Forte's kind of business. He knows much more about catering, he says; than television, in which he has performed to institu-tions' satisfaction. He also argues that the bulk of Forte's busine not in the top quality hotels, but in the kind of mid-market hotels and catering where he claims expertise. Yet his explanations of how Gran-

ada would extract more cash from Forte have not carried complete listeners - especially those who hold shares in Granada alone, and who worry that their investment in cash-generative television will be diluted by the stake in a more capttal-intensive, low-yielding, cyclical A less well explored area sur-

rounding the bid concerns the risks in the financing arrangements. Granada, with a net worth of £585m, is a relative minnow, in asset terms, against Forts, which has net assets of nearly 22.5m. In offering 22.5m. for those assets, the bidder is pay-ing more than 2800m for goodwill, which would be written off immediately against reserves.

At the same time Granade is bor-rowing around £1.5bn for the cash component of the bid. The outcome of the transaction, after allowing for the borrowings, is that the com-bined net assets of the two compa-nies shrink from £3bn to £2,6bn, while their combined borrowings rise from £1.9bn to £3.3bn. This financial engineering produces phenomenal gearing, amounting to 207 per cent of net worth. No account is taken in the figures of the £70m expenses of the offer. If these are account a net worth after the figures of the £70m expenses of the offer. deducted from net worth after a standard corporation tax charge, gearing rises further to 213 per cent.

Granada can argue that these fig-ures do not include the surplus over book value of its direct and indirect stakes in BSkyB. On a rough calcu lation, including the surplus would reduce the gearing to 155 per cent. This is a less excruciating level than in some of the 1980s deals which went wrong, but still heady stuff by the yardsticks of any other

Even then the terms of the threeyear revolving credit put together by BZW, ABN Amro and Chemical Bank for the bid are expensive, at a margin of 37.5 basis points (hundredths of a per cent) over the LonThe takeover trap The sad fact is that most

major acquisitions display an agregious imbalance: they are a bonames for the shareholders of the acquiree; they increase the income and status of the they are a honey pot for the investment hankers and other professionals on both sides. But, elss, they usually reduce the wealth of the acquirer's substantial extent . . .

The acquisition problem is often compounded by a biological bias: many chief executive officers attain their positions in part because they possess an abundance of animal spirits and ago. If an executive is heavily endowed with these qualities, they won't disappear when he reaches the top. When such a CEO is encouraged by his advisors to make donis, he responds much as would a teenage boy who is encouraged by his father to have a normal sex life. It's not a push he needs.

Warren Buffett, Berkshire Hathaway annual report 1994

don Inter-Bank Offered Rate, when compared with 18.75 basis points on a £630m borrowing facility raised by Granada earlier this year. Yet in relation to the risks being run in a balance sheet whose gearing. adjusted for BSkyB, will go from 29 per cent to 155 per cent, they appear absurdly kind to Granada. Such is today's overheated banking market. Granada is aiming to pare more than £1bn off its borrowings by the

rates on a declining trend, that may look achievable today. But if the chimate changed and today's high stock market values went into reverse, buyers - especially the fickle foreign buyers of trophy hotels, who have more money than sense - might become scarce. Borrowing covenants would then

place quickly and safely. This, however, is on the basis of current bid values. With the Forte shares at a premium to the value of Granada's bid, there must be a strong chance of a higher offer. thereby increasing the potential dent in the balance sheet from goodwill, and possibly raising the net debt as well.

become more onerous. Yet Mr Rob-

inson is convinced, predictably enough, that disposals will take

The danger here for Mr Robinson is that Sir Rocco has now declared his willingness to break up Forte. He may thus be offering sharebolder value, like Mr Robinson, but at much lower risk to shareholders. So while a rise in the offer price is probably necessary to carry the day with those who chiefly hold shares in Forte, it may also help Forte's case by increasing the risk to those with shareholdings in Granada or in both camps.

Even without the worry about gearing, those who contemplate staying with Granada run the risk of the winner's curse. There is much academic evidence that the chief losers in the takeover game are the sharebolders in the bidding company: also that competitive advantage is derived from running businesses, rather than buying and selling them. The anecdotal and psychological evidence that managers are too readily carried away by the thrill of the chase, as Warreo Buffett has pungently remarked, is

even more telling. Institutional investors have hith-

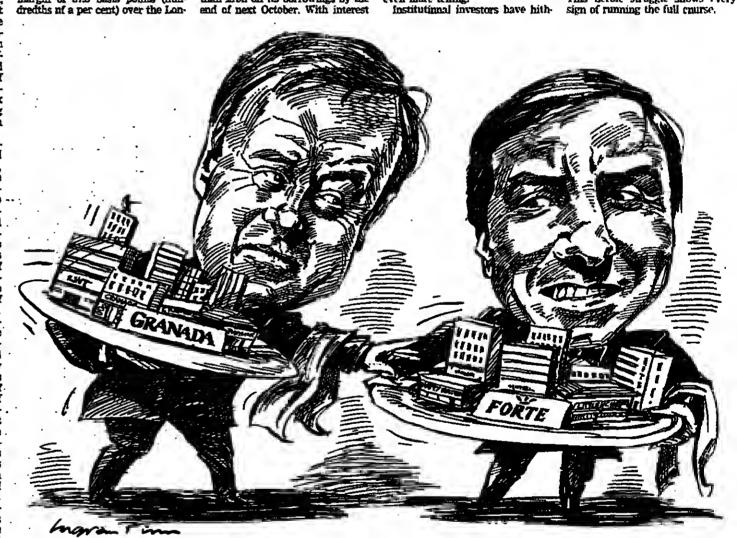
erto been largely immune to the sage of Omaha's arguments. Yet there appears to be a growing awareness of the costs inherent in takeovers. It would certainly be easy for the institutions in put an end to this hugely expensive merry-go-round simply by voting against the ordinary resolution next

week to approve Granada's offer. Those who own Granada's share may be tempted to do so. Yet a vetu of this kind is extremely rare, partly because it risks damaging the bid-der's share price, intrestingly, one of the few cases concerned Mercury Asset Management, which publicly cast its votes against Boots £200m bid for DIY, home improvement and beyele group Ward White. The bid succeeded nonetheless, but subse-quently proved a disaster. Yet this was the only occasion on

which Mercury has publicly said no. And in the present instance Granada paid the requisite pre-bid cour tesy calls without running into obvious institutional antagonism The more logical stance for an investor with shares in both compa nies would be to see how the bid battle develops. Most will end up backing whichever management seems more likely to make the Forte assets work harder, without incuring unacceptable balance sheet rights.

The belief among fund managers is that the balance has swung a little from Mr Robinson towards Sir Rocco, now that he has declared he will take the knife to the group that bears his name. Before the week is nut, the spotlight will shift to the detail of Forte's case in the formal

The growing band of hunkers and brokers who belong in the upper reaches of the City's food chain, meantime, are licking their lips. This heroic struggle shows every sign of running the full cnurse.



## OBSERVER.

creature perty a Lemonatic creature a Reamfunion Smoothic terry and a New emotratic Remarkan party The resent Democrata, Liberal party assessed in 1988, the result of a

integer of these parion.

So It's not comprising that the
DIP strategies self finat
democratic has need its day. Let's assumed that two opposition
station the Democratic party and
the United Liberal Democrats

well as conducting market research, the DLP yesterday decided to rename itself the New Knees party. It proudly proclaimed: "The New Kores party signifies a 20st century people's party for new politics, a new Kores and — need we go on? But was President Kim closely

consulted? In 1992 a right-wing section of the ruling party broke sway in protest against his presidential nomination. They beliefly formed a new party and called it... the New Korea party.

fasecure hot seat The Commodity Futures -Tracing Commission, the chief derivatives regulator in the US, is getting a bang-dog look again. Mary Schapire, the respected lawyer who took the CFTC's helm herely a year ago and immediately besied up its enforcement activities, is moving her talents to the National Association of Securities Dealers next year.

necds a competent supervisor. But Schapiro had barely begun to whip the intures and derivatives industries into shape. She's leaving as her underfunded agency faces a stiff battle with the nation's futures emhanges, who are resisting a Congressional mandate to improve their fraud-detection

It's true that the NASD badly

Schapiro will be a tough act to follow, and the last time a CFTC

Chair left, the seat remained vacant for two years. One name in the ring is that of retired Goldman Sachs partner Gary Seevers. He was once a CFTC commission and had charge of Goldman's derivatives activities for many VEATS.

Nom de plume

Wry smiles at Nato yesterday, as diplomats digested the news that the US-brokered peace settlement in Bosnia, until now known as the Dayton accord, is in be appraised into the Klysée Peace Treaty. ahead of the formal treaty signing ceremony in Paris next week. Some suspect that it's a face saving device covering the French decision this week to drop the 30-year formal boycott of Nato's top military structures ordered by President Charles de Gaulle. France's move gives it a voice in

the Nato command structure, just as the allied peace enforcement mission in Bosnia involving French troops gathers pace. Significantly, it was Hervé de Charette, the low-key French foreign minister, who announced the new policy rather than

President Chirac, himself a disciple of Le Général. The French repprochement with Nato may also explain why Chirac insisted on pushing its own man -Javier Solana, Spanish foreign minister - for the vacant post of

Nato secretary general, rather than US favourite Uffe Ellemann-Jensen, former Danish foreign minister.

I want my toy back But we shouldn't blame the French for trying to wring the most out of the Paris peace conference. After all, everyone else in Europe is trying to get a piece of

On Friday and Saturday, the UK will host a "Peace implementation" conference focusing on reconstruction, humanitarian aid, and relations between the civilian authorities and the Nato mission. Germany is going to stage a conference on arms control and disarmament. Russia only lost out on a conference earlier this year because of President Yeltsin's

The poor old European Commission's effort to hold an international "pledging conference" on aid in Bosnia in December has been abortive. But they will make up for it with at least two conferences on former Yuguslavia carly next year.

Fresh doubt

M Overbeard to an Irish bookshop the other day. Customer asks for a copy of the Masstricht Treaty. tant pauses, then says: "Is

## Financial Times

100 years ago

Chelsea Electricity Supply Co A motion was brought yesterday for a sequestration order against this company for not carrying out an order calling upon them to stop the nuisance caused by the noise and vibration of their nachinery. The plaintiffs were the landlord and several tenants of flats in Cadogan-gardens. Defendants pleaded that they had considerably reduced the nuisance, and would completely get rid of it of granted a little more time. The Judge granted defendants three months in which to put a stop to the

50 years ago Anglo-US pact signed The United States is lending Britain \$4,400,000,000 (£1,100,000,000) repayable at 2 per cent interest over 50 years, beginning 31st December 1961. Total amount repaid will be £t,490,625,600. The loan is divided into two parts:-\$3,750,000,000 (£987,500,000) line of credit for trading purposes; and \$650,000,000 (£162,500,000) representing Lease-Lend goods now in the United Kingdom as a final settlement of Lease-Lend Mr. W.L. Clayton, U.S. Assistant-Secretary of State, told correspondents: "The British wanted to get a bit more, but I

think the settlement is satisfactory to them."

## FINANCIAL TIMES

Thursday December 7 1995



## Two top-level posts to be created under World Bank reform plan

The World Bank has woo cautious approval from its shareholder governments for a plan to reform its bureaucracy by appointing two extra managing directors and creating a oew layer of reporting responsibility.

Despite acepticism among its

shareholders, many of them attempting to cut administrative costs at home, the appointments ara expected to be announced

The plan, part of a drive to create a "results culture" in the bank, is the first important restructuring move proposed by Mr James Wolfensohn, who has been its president since June. Mr Wolfensohn has effectively

venture with

influenced Caltex's decision to

pull out, said industry officials. Nippon Oil, which resisted Cal-ter's request when its US partner

ago, yesterday put a brave face oo the move. Mr Hidejiro Osawa,

Caltex, owner of a 50 per cent stake in another Japanese refin-ing company, Koa Oil, will con-

tinue to supply Nippon Oil with

crude under an agreemant yet to be negotiated. Caltex said it

agencies, bowever, remained sceptical of Nippon Oil's ability to obtain stable supplies and yes-terday launched a rating review.

The Japan Bond Research Insti-

tute warned that the sale might

affect Nippon Oil's financial

bealth in the long term. Caltex's move prompted specu-lation that other foreign joint

venture partners might also wish to reassess their ties, but this was quickly ruled out by energy

agency officials.

The US oil companies Exxon

and Mobil each bold a 25 per cent

Shell Sekiyu, a refiner and dis-

tributor with 13 per cent of the

petrol market, is an affiliate of

ers and distributors entitled to import oil products under

Japan's Specific Petroleum Products Law, due to expire oext April. Thereafter, imports will be

**Europe today** 

Five-day forecast

An area of high pressure will move lowards eastern Europe promoting more sunny periods and dry conditions. Southern Europe will remain unsettled with cloud and rain. The Benelux and Germany will turn dry and become sunnier. Afternoon temperatures will rise but will remain around freezing. The UK will slay rather cloudy with occasional rainy

periods. More snow is expected in southern

The UK will be mostly cloudy, with snow or sleet mainly along the east coast. Western France will have a mixture of snow and rain. Northern France, the Benefux and southern Scandinavia will be rather cloudy with light snow. It will remain cold, with afternoon temperatures below freezing. An area of low pressure moving over Spain will produce cloud and rain in most of Spain and southeastern France. Southern Italy, the former Yugoslavia and most of Greece will have rain. Austria and Hungary will be overcast with maximum lemperatures around freezing and light rain or sleet. Turkey and eastern Europe will stay dry with sunny periods.

These are among the 29 refin-

Royal Dutch Shell.

in Tonen, a refiner. Shows

Japan's two main credit rating

would keep its Koa shares.

Nippon Oil

Continued from Page 1

domestic petrol sales.

the merits of his strategy, and has indicated that he expects two of the expanded team of five managing directors to have worked themselves out of their jobs within that period. Under the new structure, the five managing directors will each

be allotted distinct responsibilities. They will confer daily with Mr Wolfensohn and act as the main condult for the 18 vice-presidents who have hitharto reported directly to the president.

A key role will be played by Mr Sven Sandstrom, one of the existing trio of managing directors, who has haen charged with improving accountability and creating an incentives system. It is understood Mr Wolfensohn has said he would regard it as a failure if these deficiencies were not overcome within a year or two.

He expects similarly speedy results from Mr Richard Frank, another existing managing director, whose job will cease to exist ods for co-ordinating the bank's links with private sector companies and institutions involved in

Mr Wolfensohn's scheme addresses principal deficieocies he has discovered in the upper reaches of the hank's management. Sources said he remarked recently that the lack of accountability meant "you can never nail anyone". He has also complained repeatedly that the original team of managing directors suffered from a lack of responsibilities in

· In his first public statement on policy, made in October, Mr Wol-fensohn said he wanted to create

a "results culture" which would change the way the bank did clients and results, and break the armlock bureaucracy has placed on this institution," be said.

Despite their unease, several officials yesterday said they supported Mr Wolfensohn's efforts to find a "fit" between the working methods he was accustomed to in the private sector and those prevailing in his new public role. "If he feels the managing direc-

tors should be part of the line rather than corporate overseers, then that is his judgment," one official noted. It was important that he should he comfortable with his management structure. appeared to have heen made about what was to happen below

## Caltex to end Former Japanese minister arrested after fraud inquiry

By Gerard Baker in Tokyo

Tokyo prosecutors arrested a former cabinet minister yesterday on charges of hreach of trust in connection with two failed

opened negotiations six months financial institutions. The long-awaited arrest of Mr Toshio Yamaguchi, a former company presideot, stressed it would bring better integration of labour minister, followed a deci-sion by the lower bouse of the its refining and marketing. It Japanese parliament earlier in holds 16 per cent of Japan's the day to waive his parliamen-

tary immunity.

Mr Yamaguchi, once a leading figure in the opposition New pendent member of parliament,

after bearing of the decision.

Members of parliament cannot be arrested by law enforcement authorities without approval from a plenary session of parlla-ment, and Mr Yamaguchi is only the second member to be arrested in the past 28 years. Visibly dis-

consistent with anecdotal evi-

dence from the German manufac-

turing sector, especially from

engineering companies, which

have reported that rising sales in

other EU countries have compen-

sated for lower demand from Ger-

tressed, be told reporters: "I had thought very carefully about committing hara-kiri (ritual suicide) over this, but I overslept this morning."

The arrest ended months of investigation hy the Tokyo district prosecutor's office into his alleged involvement in fraudulent activity at the Tokyo Kyowa and Anzen credit co-operatives, which collapsed a year ago. The two companies were res-

cued by the Bank of Japan after were found to have more than Y100bn (\$1hn) in noo-per-

members of his family by colluding with the management of the

The loans were ostensibly for golf-course development, but they were used to repay dehts of companies related to Mr Yamagu-

energy sector, a consequence of

unusually mild October weather.

This was to some extent neu-

resisted all attempts by prosecutors to get him to discuss the matter, and said yesterday he remained confident a court would acouit him.

He was implicated in the affair by the ex-president of Tokyo Kyowa, Mr Hartmori Takahashi, a property speculator turned banker, who is also accused of breach of trust.

Mr Takahashi's connections with politicians and hureaucrats are legendary and investigators are continuing to examine claims he has made concerning his relations with other senior offi-

The charges against Mr Yama-guchi are especially embarrassing because the New Frontier party is committed to reforming Japan's corrupt political system.

Tale of the Japanese 'hubble'.

## THE LEX COLUMN Six appeal

Caltex, a joint venture between US

oil giants Chevron and Texaco, has

also had problems of its own in Japan. Its refining joint venture with Nippon

Oil was only marginally profitable even in good years, as the Japanese

retained full control over the more

Incrative marketing end. By selling its stake back to Nippon Oil, Caltex will

receive \$2bn to invest in faster-grow-

The danger now is that, despite offi-cial optimism, Exxon, Mohil and Shell, which have similar joint ventures.

may also pull out. Since Japan pro-

duces no oil of its own, that would

mean hig changes for the whole struc-

ture for oil imports on which it has

depended since the second world war.

The 4 per cent rise in Bass' share price yesterday was well deserved. In

part, it reflected relief that the group

did not launch a hostile takeover, but

it was underpinned by impressive fig-

ures. Bass's four core businesses are

far from firing on all cylinders, but hotels and pubs alone are generating

sufficient momentum to continue pow-

ering double-digit profits growth this

chise pipeline, and margins improving

further, the outlook is encouraging.

The pub portfolio continues to benefit from an aggressive refurbishment pro-gramme which will accelerate with

the recent purchase of Harvester. Of

course, the leisure businesses are suf-

fering and the full-year impact of Lot-

tery scratch cards has yet to hit Bass's

ing parts of Asia.

US long bond

If the US long bond yield succeeds in establishing itself below 6 per cent. after some vacillation, the bulls will argue that this marks a new leg in the US stock and bond market rally. Technically, this is correct. The next target would he the low of 5.78 per cent reached in 1993, and the market may just have enough impetus to carry it that far. The environment is favoura-ble, with low inflation, slow economic growth and a central bank apparently poised to ease monetary policy.

But there are several discouraging factors. Most importantly, there are signs that the market's own view is wavering. Two-year notes are yielding only 5% per cent, half a point less than money-market rates. This means that a half-point rate cut at least is already discounted. Yet with Eurodollar futures predicting money market rates just slightly below that level next September, the market already appears to have priced in much of next year's good news. However, there is always the chance that the market has againunder-estimated the scope for easing.

Still, two-year notes look expensive, having dramatically outperformed long-dated bonds this year. Moreover, traders can no longer borrow cheaply in the money markets to invest in bonds. But the market is probably ready for a correction, rather than a reversal as in 1994. With inflation apparently well under control, real interest rates are not unreasonable. Some investors may switch out of Treasuries in search of higher yields, hut there is unlikely to be an exodus.

#### Japanese oil companies

In withdrawing from its 44-year joint venture with Nippon Oil, US refining group Calter has obviously decided that discretion is the better part of valour. It looks like a sensible decision given the huge problems facing the Japanese oil market.

Demand is static due to the sluggish economy. Oversupply has depressed the price of petrol, the industry's most profitable product, by a fifth in four years. And oil is losing out to coal and gas as the fuel for electricity genera-tion. Moreover, Japan is set to liberalise oil imports next spring. Currently only Japan's 29 refining companies have import licences. From April, any-one from supermarkets to farmers' co-operatives can apply to import oil. Although their established distribution networks will partly protect the oil companies, competition will hit

profits. But with £100m of invest capital this year, and the likelihood of industry deregulation, 1997 should see a sharp pick-up in leisure earnings

Brewing remains an obvious lag-gard, since Bass is unlikely to see a repeat of both the hot summer and successful launches of Caffrey's and Hooper's Hooch Nonetheless, the divi-sion generates substantial cash for investment elsewhere. Group capital expenditure should exceed £500m this year, but interest cover will still remain comfertable at over eight times. The primary concern is that the management will gear up for a hig acquisition; but at least it has plenty of opportunities within the existing portfolio to keep it occupied.

#### Cashflow accounting

The revised cash flow statement being proposed by the UK's Account-ing Standards Board is a big improvement on the current version.

Most importantly, it links the cash flow statement firmly with the profit & loss account and the balance sheet. Users of accounts will now be able to trace how cash moves through a business by starting with operating profit at the top of the cash flow statement and warking through to the change in net debt at the bottom. This is much better than at present, where the number at the end of the cash flow state ment cannot be reconciled to the balance sheet.

The other hig change is a welcome

simplification. The definition of cash is being narrowed to cash in hand and deposits repayable on demand. Move ments in near-cash investments – like short term gilts – which often-form part of a company'a treasury activi ties, will be netted off into a single line. That should stop them distorting underlying cash flows from trading.

Greater detail, including sub-head

ings for dividends and capital spend ing, should help towards a standard definition of free cash flow. This will make it easier for analysts and investors to compare companies.

The board does not deserve blame

Underlying profits at Holiday Inn grew by 20 per cent in 1994-95. With a growing number of hotels in the franfor the inadequacies of the old stan-dard, it was launched hastily in 1991 following the collapse of Polly Peck which declared profits to the end, but was actually bleeding to death as cash flowed out of the door. Its revision as a shorter, simpler standard is all the more welcome.

Additional Lex comment on NFC,

See a this mand

#### Frontier party and now an indeforming loans. Mr Yamaguchl is accused of gave himself up to prosecotors arranging Y2.7hn in loans for

chi and his family, prosecutors

Fears over steep drop in German output has a financial surplus, it has a positively-sloped yield curve, and from next year we will see fiscal tralised by strong construction loosening. For all those reasons economist at the German Federa

tion of Industry, said confidence

indices were more reliable point-

#### many. The extent of the fall in European economist at James Capel in London, said "Germany German output was exaggerated by a 7.1 per cent decline in the omy is headed than officially released economic data.

Continued from Page 1

panies are already preparing to enter the market, while some petrol station companies are considering direct imports from low cost South Korean refineries.

activity, the only sector showing a rise in output. Following tax recession." Ms Silke Vennes, changes in the new year, con struction activity is expected to Mr Robert Prior-Wandesforde,

## Brussels plans inquiry into online alliance

their services, with Telekom

competitors have access to the content of publications controlled by the partners.

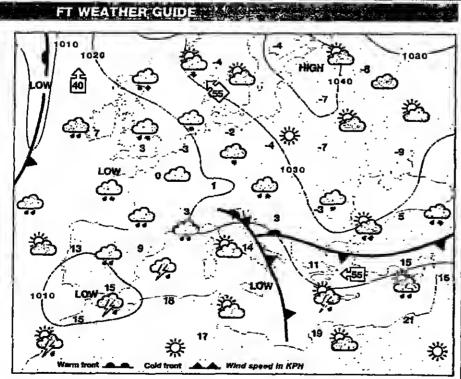
 Would publications not belonging to the partners be able to put their cootent online? Under what conditions would other online companies be able to use DT's networks and services?

#### to Axel Springer, another German publisher. open to any company with a min-Continued from Page 1 imum storage capacity of 70 days' The partners intend to divide The Commission said the alli-Supermarkets and trading com-

Online specialising in business services and America Online specialising in services to private The deal could also be opened

ance was important because of the size of its partners.

The four mooth inquiry will also focus oo several other areas including. · Under what conditions would



TODAY'S TEMPERATURES Rangoon Reykjuvik Rome S. Fraco Seoul Singapore Stockholm Straebourg Sydney Tangier Tel Aviv Tokyo Toronto Vancouver Caraces
Carciti
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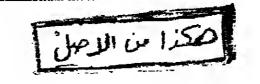
risk management modelling techniques to key Treasury decision makers. We have also won the mandate to advise on and underwrite a European Sovereig

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OTHE FINANCIAL TIMES LIMITED 1995

## US groups to lose out in Hungary sale Hollinger

#### Bass rises 11% to beat forecasts

Strong growth from managed pubs, soft drinks and Holiday Inn hotels drove Base's pre-tax profits up 11 per cent to £599m in the year ended September, exceeding most City forecasts. Page 22

Creatia foreign investor plan under threat

IN BRIEF



Croatia's first serious attempt to attract foreign investment to rebuild its war-shattered economy is being compromised by a struggle between the country's largest bank and the Croatian Privatisation Fund. Both are run by appointees of President ranjo Tudiman (left). Meanwhile, a dispute over the proposed sale of an oil

pipeline threatens to end up in court. Page 18

Competition in the German telecoms sector is intensifying. Thysseo had little difficulty finding investors to buy 27 per cent of its telecoms subsidiary, and the group is seeking a partner to help it in its battle for a large slice of the market. Page 19

Netscape continues meteoric ascent Netscape Communications, the internet software group that made its stock market debut in August at an offering price of \$28, continued its meteoric ascent to close at \$171 on Tuesday. A rise of \$21%, this was its biggest single-day gain to date. Page 20

India's new bourse capitalises on row The result of the tussle between the Bombay stock exchange and Reliance Industries, the country's biggest quoted company, is roughly a draw, say analysts. There may, however, be one winner - the National Stock Exchange, India's newest bourse, thrown into the spotlight by the row.

NFC operating profits drop 25% Fierce competition and a series of one-off costs led NFC to record a 25 per cent fall in annual operating profits, in what the transport and logistics groop described as its "annus horribilis". Page 22

BTP bucks trend to advance 16% BTP, the speciality chemicals company, bucked the sector's weak trend to raise interim pre-tax profits 16 per cent from £18.1m to £21m, Page 22

Six come and go in FT-SE 100 changes Six new constituents will join the UK's leading stock market benchmark, the FT-SE 100 index, in one of the most sweeping changes since the index was established in 1984. Page 22

Farm animal diversity under threat breeds face extinction, the UN Food and Agriculrure Organisation warns. Modern livestock farming poses the greatest threat to diversity. Page 41

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1	
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AIS	21 News International
AMH	18 Nissan
APS Holding	22 OMV
Advanced Information	8 Omnitel
Akbus	4 Petron
Amec	22 Peugeot
Avenor	20 Philipp Holzmann
Bausch & Lomb	20 Pripps
Boeing	A Privredna Banka
CNN	7 RWE
Catex Petroleum	24 Raytheon
Celsus	Reference industries
Ciba	18 Republic Cement
Coca-Cola	18 Rolls-Royce
Coles Myer	Sanoti
Deutsche Bahri	40 SCHOOL
Deutsche Telekom	Shed Pulpmas
Disney	Only Entertainment
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#### Chief price changes yesterday

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77-4-			Married Ro	***	-	

Hungary is today expected to announce it has awarded stakes in six slectricity distribution companies and two of its seven non-nuclear power generation companies to German, French and Belgian utilities ahead of US and UK competitors

It has also decided not to go ahead with the sale of a stake in MVM, its core electricity company, after receiving just one bid, bankers said yesterday. Eléctricité de France and RWE

Stronger

clear of

the pack

worst of times for Japan's banks. The glare of publicity

in which they have conducted

their affairs for several months

has intensified with the publica-tion of their results for the six

months to the end of September.

These revealed record operat-

ing profits, but at the same time ahowed new details about their

non-performing loans that

suggested that for some the diffi-culties are as great as ever. Most striking is that the gap

between the strong and the weak

is widening, with implications for

Japan's tightly controlled finan-cial system. Within the next year,

a number of the leading banks

may well be able to use their

strong profits to pull themselves out of the wreckage of the prob-

lem loan mess. But for the rest,

The unprecedented surge in operating profits owed nothing to

improvements in the banks'

underlying performance, but was

almost entirely the result of helpful government policy. The Bank of Japan handed hig windfall bonuses to the banks by cutting

interest rates repeatedly in the

six-month period - taking

As a result, the 21 largest

banks made combined operating profits in the six months of

almost Y2,500bu (\$25bn), up by

more than 70 per cent from last

year. But even more arresting

Since the collapse of several

institutions during the summer and the revelations about losses

at Daiwa Bank in September,

Japan's lenders have been under pressure. The main focus of con-

cern has been uncertainty about the extent of the banks' "non-per-

forming loans" masked by tha country's opaque reporting rules.

Tha stronger institutions reacted with barely disguised alarm to the so-called "Japan pre-

mium" - the extra interest

charged to Japanese banks' bor-

rowings in international money markets - that emerged as a

result of the uncertainty. They felt they had been punished

unfairly for the sins of their

So, ahead of the scheduled plan

by the ministry of finance for the

disclosure of such problem loans

next year, Japan's leading banks unilaterally declared what they

said were all their non-perform-

ing assets. Crucially, these included so-called restructured

loans where interest rates have

been cut to assist a borrower in

trouble, as well as debts that

bave gone rotten. They also included for the first time loans

to the country's bankrupt hous-

ing loan companies, the biggest headache for the banks, which

By Raymond Snoddy in London Carlton Communications, the UK television and media services

group, is planning to launch several cable and satellite channels

next year as soon as pending domestic legislation sllows inde-

pendent broadcasters to own sat-

The new Carlton channels would include a Carlton Gold

channel, drawing from more than

a decade of programmes in the library of Central Broadcasting.

its Midlands independent televi-

Central has a large stake in a US company, WIN, which owns

the rights to more than 100 made-

Disclosure of the new Carlton

channels came as the company announced a 30 per cent rise in pre-tax profits to £246.7m

ellite channels.

sion subsidiary.

for-television films.

weaker brethren.

short-term rates down from 2.2 per cent in March to 0.5 per cent

at the end of September.

ance sheets.

recovery is a long way off.

banks pull

Energie, Germany's largest elec-tricity ntility, are each to be awarded stakes in two distribution companies, with Bayernwerk and Isar-Amperwerks, both regional German utilities, winning stakes in one distribution

company apiece.

A consortium of RWE and Energie-Versorgung Schwaben of Germany is understood to have won the tender for the Matra power station, while Powerfin, a subsidiary of Tractebel, the Belgian energy and industrial group, is to be awarded the stake in the Dunamenti power station ahead

Record profits in Japan cannot hide loan problem

The widening gap

Missubjehi

Asshi.

OKE

Full .

Toloi

LTCB

Toyo Trust

Nippon Trust

Chuo Trust.

Sumitomo Trus

Mitaubishi Trust

Mitsui Trust ...

Moport Credit

Holderido Takushok

are owed more than Y3,000bn.

Four banks revealed they had

problem loans of more than 10

per cent of their loan book. Over-

Unfortunately, the published

numbers did not dispel suspi-cions that all is not as it seems.

The definition of restructured

loans was a tightly drawn one. Some banks may have simply

shifted soma of their problem

loans to affiliated companies or

subsidiaries. But even allowing

for remaining imperfections in

reporting, several banks should

be in a position to eliminate the bulk of their problems in the cur-

Some banks even declared-

planned losses for the full finan-cial year, almost unheard of until

recently, to achieva just that.

Other companies have sufficient capital strength to enable them

to follow suit when the liquida-

tion of housing loan companies is

complated in the next few

months. "Several banks are now

in a position where they could afford to report quite substantial

losses in the short term," says Mr

J Brian Waterhouse, financial

sector analyst at James Capel Pacific in Tokyo.

But for other banks the picture

is different. Even if operating

profits were to continue at the level achiaved in the past six

months (they will not). most banks would take several years

to get rid of their problem loans.

Carlton plans cable channels

(\$389.8m) in the year to the end of September, with £122.8m in oper-ating profit coming from the

Broadcast Television division. It

through a series of acquisitions

hut has not made a significant

purchase since November 1993,

when it launched an agreed hid

Further acquisitions are not

ruled out, but Carlton is concen-

trating on expanding programme

production and on trying to find

a way to expand into continental

Carlton, which had seven of

the 10 most popular dramas on

independent television last year,

plans to increase programme

production and to make more

has cash reserves of £90.6m. Carlton made its reputation

Yasuda Trust

all the figure

rent year.

Benk of Tokyo

MIDDLING

of PowerGen of the UK and Southern Electric of the US. PowerGen, which bid for a

Thursday December 7 1995

50

6.7

8.7

9.5

9.8

This divergence between strong

and weak banks is potentially the

most important change in

Japan's post-war financial sys-

Japanese banks have operated in

crucial. They were the conduit

used by the finance ministry to ensure a steady flow of low-cost

funds to industry to finance

Japan's ecocomic miracle, and so

they were not allowed to move

in the past, credit was in short

supply in Japan and the post-1945 banking system was designed to

redress that. Banks were at the

centre of large industrial group-

ings, lending to manufacturers on a long-term, low-cost basis.

They acted not as normal husi-

nesses, but as money machines for Japanese industry.

decade. Industrial companies now meet a growing proportion

of their financing needs direct

from international capital markets and rely less on leoding

from their main bank. Stronger companies have therefore started

to break away from the pack,

eager to build their own financial

strength. That may make matters even worse for the weaker banks. For the first time, it seems, they

will increasingly have to fend for

Mr Michael Green, Carlton chairman, yesterday conceded that the government's broadcast-

ing plans would retain restric-

tions on media ownership.
"But overall, they offer Carlton

an opportunity to increase

investment in production, to sell

more television programmes and to create new channels," he

Granada, the television, leisure and reotal group, has already said it plans to launch up to four

new channels for cable and satellite next year. Carlton UK Production respon

sible for dramas such as Codfeel,

Soldier, Soldier and Inspector

Morse says it is now the biggest

supplier to the FTV network by

Gerard Baker

That has changed in the past

too far out of line.

Throughout the past 50 years,

so-called "convoy system". Their role in the economy was

third power station, is believed to have entered the top bid for Dunamenti but to have attached conditions to its offer. There has been concern over generation companies' power purchase agreements, and some of the smaller less attractive power sta-

tions received no bids. The sole, and unsuccessful, bidder for a 24 per cent stake in MVM, which is to retain the national grid and Paks, a Sovietdesigned nuclear plant, was a

consortium of Bayernwerk, Elec- privatize much of Hungary's tricité de France and Azre-Tessin snergy sector in a matter of of Switzerland. Several western utilities, including the UK'a National Grid, did not hid for MVM due to its nuclear compo-

Stakes of 34-49 per cent and some management control were offered in the electricity compa-

reconsider selling MVM with

nies other than MVM. Although tenders for only eight of the companies were succe bankers said the authorities had shown courage in attempting to

The accialist-led government, which aims to complete privatisation by 1997, included a target of Ft150bn (\$1.12bn) in privatisation nent and urged the authorities to revenues in this year's budget. Twenty-six companies purchased tender documents for the electricity companies, which had

> end of last year.
>
> APV Rt, the state privatisation agency, was advised by Schroders, tha London-based invest-

combined assets of Ft682hn at the

# KLM nears deal

KIM, the Dutch national carrier, is close to buying a 26 per cent stake in Kenya Airways, marking

The Kenyan government's sale of the stake, expected to be com-

Several other international car-

attractive public companies.

been expected to sell only about 20 per cent of the carrier. In June, however, Mr Musalis Mudavadi, Kenya's finance minister, announced that the ceiling on foreign ownership of companies floated on the Nairobi stock exchange would be lifted to 40 Co-operation between the two

airlines will begin with an adjust-ment of their schedules so that passengers can easily transfer

a later stage, other possibilities include joint marketing, sureraft maintenance and cargo handling. For KLM, the Kenyan deal is the latest in a string of alliances with smaller, regional airlines designed to transform the company into a global carrier.

In August, it signed co-opera-tion deals with Garuda, the Indonesian airline, and with Jet Airways, a Bombay-based carrier in India. Unlike the Kenvan alliance, these two partner ships do not involva equity

However, KLM owns 45 per cent of Air UK, tha British regional carrier which flies British passengers to KLM's base in Amsterdam for onward European and intercontinental connections To stake its claim to be a

global airline, KLM may need to

merge with another carrier. This week it denied it was in merger talks with BA and American Air-Kenya Airways, which posted its first profit in 1994, was formed in 1977 after East African Airways was disbanded following.

the collapse of the East African

Community, a common market hetween Kenys, Tanzania and The airline has three Airbus A310s, two Boeing 737s and three Fokker 50s. Besides its domestic and African flights, it flies to seven European cities, though not Amsterdam. However, KLM

has four flights a week to Nat-The Dutch carrier considers Africa to be a growth market. scheduled flights to Lusaka, the capital of Zambia, would start in

## to raise \$400m in cash call

Hollinger International, the umbreils for Mr Conrad Black's worldwide media interests, plans to raise almost US\$400m in new equity and debt next year to create a more stable debt structure and improve market liquidity for

Hollinger International, which was known as American Publishing before a recent reorganisation, is 85 per cent owned by Toronto-based Hollinger Inc, Mr Black's main holding company. Its interests include control of the UK's Telegraph group, and a sizeable minority stake in Sou-tham, Canada's biggest daily

newspaper chain.
The public share offering will lower Hollinger Inc's stake to 68.5 per cent. Its voting power, exercised through multiple vot-ing shares, will fall from 96 per cent to 88.2 per cent.

The share offering will com-prise 14m class A common shares and 2.1m shares subject to over-allotment options. Hollinger, which is listed in the US on the the National Association of Securities Dealers Automated Quotation over-the-

counter market, was trading at \$11.25 yesterday morning. The company plans to take advantage of favourable interest rates by raising US\$200m through an offering of 10-year senior subordinated notes. Proceeds will be used to repay all

outstanding bank debt.
Hollinger, which has its head
office in Chicago, recently
opened a New York office as part of efforts to raise its profile in financial markets. It bas appointed Mr Paul Healy, formerly a corporate finance executive with Chase Manhattan Bank, as vice-president for investor relations.

Mr Healy said the underwriting group for the share offering was chosen with an eye to expanding analysts' coverage of Hollinger. The underwriters, led by Merrill Lynch and including CS First Boston, Donaldson Luf-kin and Jerrette, and Smith Barney, employ several of the top North American media analysts. Hollinger Inc raised the possi-

bility this autumn of selling some of the 33.6m Hollinger International class A shares it acquired in the latter's recent restructuring. However, it has the market for at least two years If this would interfere with January. This will be its 16th des- | Hollinger's efforts to raise out-

## on 26% stake in Kenya Airways By Ronald van de Krol in Amsterdam from one carrier to the other. At

its first alliance in Africa.

pleted in early 1996, marks the first privatisation of an airline in sub-Saharan Africa. The Dutch carrier declined to say how much it would pay the 26 per cent hold-

riers, including South African Airways and British Airways, are believed to have considered making s. bid. KLM said the Kenyan government had already accepted its bid in principle, leaving a few details to be agreed.

Kenya Airways is the country's best-known corporate name to come up for privatisation so far. Until now, Kenya's privatisation programme, begun partly at the urging of its aid donors and institutions such as the International Finance Corporation, has been limited to about 60 smaller, less

The government aims to retain s minority stake in Kenya Airways, with the remaining shares to be sold to institutional and private investors. Originally, the government had











We are turning managers













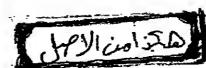






investment adviser, and the exclusive adviser to Citicorp for its venture capital investments in Europe, we have led over 90 MBOs with a total transaction value of almost \$12 billion (27.5 billion), and taken many of them public. If you are a manager who may have the opportunity to

Contact us for a copy of our portiolio of case histories of the



programmes in its own stud-los with its own creative £160m a year on programme pro-

#### INTERNATIONAL COMPANIES AND FINANCE

#### **EUROPEAN NEWS DIGEST**

## Ciba shares tumble as drug tests stop

Shares in Ciba, the Swiss drugs company, fell yesterday after it stopped trials on selfotel, a drug intended for stroke and severe head injuries. Ciba bearer shares fell SFr28 to SFr1,018 in a strong market. Lehman Brothers, the securities house, had forecast peak annual sales for the drug of SFr250m. An independent panel of doctors monitoring the trials said the drug's risks appeared to outweigh the benefits. The drug was in the last phase of testing before regulatory submission. Ciba said it was unable to say whether the drug was ineffective or side-effects harmed patients. Further study would follow before deciding whether to abandon the drug. Companies abandoning drugs in the same class include Sanofi of France Companies still researching the area include American Home Products of the US, Astra of Sweden and France's Synthélabo. Ciba said it had another drug in the class it was developing with US biotechnology group Cocensys. Daniel Green, London

#### Stet forecasts profits advance

Stet, Italy'a state-controlled telecommunications holding company, yesterday forecast net consolidated profits of more than L2,300bo (\$1.44bn) for 1995, against L1,901bo last year. and said that it would oot raise new capital despite heavy international investments. The group expects turnover this year to reach L37,000bn, against L33,752bo last year and said it would also report "a significant fall" in net debt, which stood at L18,900bn at the end of last year and L18,000bn on June 30. The telecoms group has increased investment speoding from L10.459bn to L12.000bn this year. The group, which is already quoted in Milan and New York, could be fully privatised next Andrew Hill, Milan

#### Portuguese retailer ahead

Jerónimo Martins, one of Portugal's leading retail groups, reported a 25 per cent increase in net consolidated profits for the first nine months, from Es3.95bn to Es4.93bn (\$32.7m). Sales rose 29.9 per cent to Es202.14bn, helped by a series of international acquisitions, culminating in this week's £28.5m (\$43.9m) purchase of Lillywhites, the UK sporting goods company, from Forte, the UK hotels company, Jerónimo Martins aims to use Lillywhites' products in its Feira Nova hypermarkets. This should both improve Lillywhites' distribution and strengthen the Portuguese group's weak

#### Coca-Cola resumes Pripps talks

Coca-Cola of the US is to resume negotiations today with the Swedish brewer and soft drinks supplier Pripps over its 42-year agreement to produce and sell Coca-Cola products in Sweden. The agreement broke down last week, apparently after Coca-Cola demanded Pripps sell out its own-brand soft drinks to concentrate ou promoting Coca-Cola products. If the two sides do not reach a new agreement, Pripps will lose SKr1.4bn (\$213m) in annual turnover from Coca-Cola drinks. Hugh Carnegy, Stockholm

#### EC approves Schering MS drug Schering, tha German pharmaceuticals group, said tha

European Commission had approved its multiple sclerosis drug Betaferon, whose generic name is betaseron. The drug will be launched in all EU states in the next few months. Schering expects worldwide sales of Betaferon to reach DM380m (\$264.56m) this year, and between DM600m-DM650m in the 12 months following the European launch.

## French investors warn on St Petersburg bonds

By Andrew Jack in Paris

A group of descendants of French investors in pre-Revolutionary Russian bonds yesterday launched a sharp warning to those contemplating buying into proposed new issues by

the city of St Petersburg.
The Association Française des Porteurs d'Emprunts Russes (Afper) said that those who invested in the last such issue available to foreigners, in 1913, had beeu "cheated and oured neither its commitments nor its signature".

The statement came after Mr Anatoly Sobchak, mayor of St Petersburg, told a meeting of potential investors in London on Tuesday that the city coun-cil bad decided to "test the water" for the market for purchases by foreign investors after recent interest in highyielding domestic bonds. However, Mr Pierre de Pont-

reacted strongly yesterday to the idea, saying: "Wa are very concerned by this offer. There are some appalling stories of families being ruined after selling their land to invest in

these bonds." Afper claims to have a membership of 6,200 out of an estimated 300,000 French holders of Russian bonds - many inherited from ancestors who invested before the Russian

for the few francs at which the market currently values them. Mr de Pontbriand, whose own bonds were inherited from his family, said there were about 30m Russian bonds in circulation, including up to 4m in France, which had been issued by the Russian govern-

ment, a number of individual cities and by several regional railway companies. He said the ontstanding

value of about FFr15bn, but if international law." thay were reimbursed with ... Mr de Pontbriand said an interest at current prices, they would yield more than

St Petersburg had launched a number of bond issues from the end of the inneteenth century until 1913, but all commitments had been been broken. The Russian government accepted all the assets after the revolution but it never took on

ruined" by the city which had briand, vice president of Afper, Revolution. Others have bonds issued before the Revo the liabilities," he said. "That "shown in the past that it hon- which is based in Paris, bought them far more recently lution and not honoured had a is against the principles of is against the principles of

economic treaty signad hetween President Francois Mitterrand of France and President Boris Yeltsin of the Russian Federation in February 1992 made provision for tha repayment of outstanding obligations between the two countries, but that the governments had so far done little to meet these commitments.

## Battle set to rage over Croatian privatisation plan

A dispute over the proposed sale of an oil pipeline threatens to end up in court, writes Gavin Gray

roatia's first serious attempt to attract for-eign investment to rebuild its war-shattered economy is being compromised by a struggle between the country's largest bank and the Croatian Privatisatioo Fund.

The conflict reflects infighting between different factions in the Croatia Democratic Union (CDU), the ruling party headed by President Franjo

At the centre of the dispute is tha pre-war oil pipeline which runs from Croatia's Adriatic coast to Hungary, In late October, the privatisation fund (CPF) announced its intention to sell for DM185m (\$128.8m) a 25 per cent stake in Janaf, the company running the pipeline, to OMV, the Austrian oil company, and Mol, the state-owned Hungariao oil company that is being partially privatised.

If successful this would be the largest foreign investment in Croatia and would ease a budget severely stretched by war and years of heavy spend-ing on the army which four months ago expelled 200,000 ethnic Serbs from Krajina and re-opened the road, rail and pipeline links between the coast and the Croatian hinter-

But the deal is now hanging in the balance after a legal challenge by Privredna Banka, Croatia's largest bank, Privredna claims Janaf never repaid an \$11m loan granted in 1979, the year the pipeline

It is suing the CPF, a government body run by CDU appointees, for its refusal to acknowledge the debt and is demanding payment of \$35m, its estimate of capitalised interest on the loan. It also wants the privatisation deal annulled.

The CPF faces a formidable opponent in the majority stateowned bank, which has an equity stake in a wide swathe of Croatian industry.

Mr Martin Katicic, the bank's managing director, and the suit's instigator, is one of the country's most powerful men. He is a leading member of the CDU and a deputy in the Sabor, the Croatian parlia-ment. Ultimately the contest is uot between institutions but between powerful personalities in a ruling party dominated by individuals competing for power and influence.

he privatisation of Janaf has been under discussion since this summer and a Privredna Banka says the CPF has known about the bank's demands from the

Mr Ante Sango, a CPF officer handling the sale, denies this: "Privredna Banka has nothing to do with this deal. I don't care what happened in Yugoslavia in 1979. This is Croatia, This is a different country."

Analysts say this dispute between government bodies -both run by appointees of President Tudjman - is undermining Croatia's chances of being taken seriously by the international business community. Janaf is an important test

case because it has benefited directly from the re-integration

· The pipeline was shut down in 1991 when war broke out and remained out of service for four years after 60km fell into

Serb hands. The Croatian army re-established Zagreb's authority over Krajina in August clearing the way for Croatia to retake the pipeline and resuma pumping oil to its refinery in the town of Sisak and on to Hungary, Slovakia and the Czech Republic.

Re-opening the pipeline also cleared the path for privatisation. The government invited bids for 15 per cent of Janaf shares in a tender that closed on Septembar 27. Two bids were forthcoming: Mol offered to buy 10 per cent of the shares at book value, on the proviso that it could pay 30 per cent up-front and the remainder in instalments over five years. OMV bid for 15 per cent at a suggested price of DM50m to DM90m - well below book

At the end of October, the Privatisation Fund announced it was increasing the shares on offer to a 25 per cent stake and that OMV and MOL would take 12.5 per cent each.

According to Mr Sango both bidders have agreed to pay book value, valuing the deal at DM185.75m. Negotiations are continuing.

Apart from the cash pro-ceeds, Mr Sango sees strategic benefits for Croatia from having Hungarian and Austrian oil companies as shareholders in the pipeline. Croatia is hoping to become an alternative to Russia as a supplier of oil for central Europe. For Mol the attraction of a

tive source of oil. The high cost of insurance for oil transported along the Croatian pipeline and Janaf's high pumping charges mean

stake in Janaf is that it would

give the Hungarian company

more influence over its alterna-

the old Druzhba pipeline from the Urals would remain cheaper.

Privredna Banka insists that its claim for payment and moves to stop privatisation are reactions to a simple case of unpaid debt, although this is Russian crude supplied along an explanation which satisfies

few in Zagreb financial circles. But with Janaf in no position to repay the bank's full demand and Mr Katicic seemingly unwilling to relent, it appears Croatia's first attempt

to attract large scale foreign investment will end up in



ident Franjo Tudiman: the government bodies in dispute are both run by his appointees

**NEW ISSUE** 

November 1995

These securities having been sold, this announcement appears as a matter of record only

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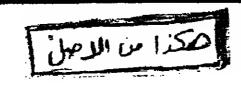
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# Thyssen seeks telecoms partner

r Dieter Vogel, the future chief executive of Themes tive of Thyssen, the German steel and engineering conglomerate, had reason to be pleased with himself when he announced last month that the group had raised about DMIbn (\$696m) by selling 27 per cent of its telecoms subsidiary. Sweet-talking four new Ger-man financial groups - includ-

ing Commerzbank - to invest in Thyssen Telecom was easy.
After all, the telecoms sector is expected to be hicrative - it is set to grow from annual sales of about DM60hn last year to between DM80-DM100bn in 2000. However, investors also included a French company and ING, the Dutch bank

HELL WELLES Gavin Gra

100

Mr Chris McFadden, tele-coms analyst at US investment bank Merrill Lynch, points out that the price paid for Thyssen Telecom is significantly higher than that paid this year when Cable and Wireless, the London-based telecoms opera-tor, took a stake in Vebacom, the telecoms subsidiary of the Veba conglomerate.

There seems, for the time being, to be no shortage of investors ready to take on Deutsche Telekom, the German monopolist and the world's third higgest telecoms operator in terms of sales.

While Thyssen and the other four would-be private telecoms operators have disclosed ele-ments of their strategy for between now and 2000, two vital details remain unclear: what will Deutsche Telekom charge its competitors for the use of its network - so-called interconnection fees - and what sort of technology will the new operators use to sccess clients' households, given that Deutsche Telekom's

network is the only way of doing so at the moment?

Deutsche Telekom has not given any details about how it nationwide telecoms network -

Telecom Italia Mobile, Italy's state controlled mobile tele-

phone operator, will face open

competition for the first time

from today, after Omnitel Pronto Italia, the privately owned operator, amounced it

had met the conditions to

launch a full commercial.

Omnitel said it had reached

its target of covering 40 per cent of Italian territory and 70 per cent of the population with its digital transmission

Omnitel, owned by an inter-

national consortium headed by Olivetti, the Italian computer

group, launched its experimen-tal digital service, using the

GSM European norm, et the However, until now it has

By Andrew Jack in Paris

its main subsidiaries. The council of ministers con-

The French state yesterday

appointed a new chairman to

head the organisation which controls the majority of its

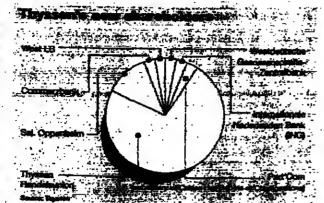
radio broadcasting interests, and amnounced its intention to proceed with the sale of one of

firmed the nomination of Mr

George Vanderschmitt as head

of Sofirad, who will be

involved in implementing the restructuring of the state's involvement in the audio-



ultimately by won by a consor-

thum made up of some of these

1.3m clients.

been limited to 10,000 operator hoped to extend its eign banks, adds Antonia

for its digital and monopoly. Separately, representatives two tranches: the first of analogue services. Earlier this of the Italian government and L1,200ba is linked to London

attempt to resolve a dispute

The Commission has begun legal proceedings against Italy

for allegedly distorting compe-

tition by charging Omnitel a L/750hm "entry fee" for the sec-

ond licence last year. Telecom Italia, the domestic operator

from which TIM was demerged

earlier this year, did not have

to pay a fee.

Omnitel has secured the fin-

ancing it needs to fund its development, signing a L1,800bn (\$1.1bn) 10-year facil-ity which has been syndicated

among nine Italian and 84 for-

until the end of December to make offers for RMCs shares.

Sofirad must reach a decision a

month later. Unlike many

other French privatisations, the sale will not be through an

offer on the stock market nor

in small pieces. Any purchaser will be obliged to take the

The remaining 16.67 invest-ment in RMC is held by the

principality of Monte Carlo, which will be involved in

determining the purchaser and will retain its minerity partici-

entire stake.

Potential buyers will have pation after the sale.

Mr. Vito Gamberale, TM's over the granting of the second rates. The latter is available

mobile phone licence to for cash drawings and for the

Omnitel challenge to Telecom Italia

customers. TIM already boasts coverage to the whole of Italy more than 3.35m subscribers next year.

week, it stepped up the promot the European Commission are lonal war with Committel by ductio med today in a further

Sale of Radio Monte Carlo stake under way

will set its interconnection in Germany alongside that owned by Deutsche Telekom; fees, and is not likely to do so until the very last minute to keep its competitors guessing. Whatever fees Demsche Telewhich ensures that competi-tion for the stake will be intense. Veba, Viag and RWE, the three big German utilities seen as Deutsche Telekom's kom sets will need regulatory approval. But as Mr Bill Colestrongest competitors, have all bid for the DRKom stake. There is speculation that it will

man, an analyst at London stockbrokers James Capel points out, the company could set interconnection fees so low set interconnection nees so low that it would "make a non-sense of the business plans" being drawn up by Thyssen and others. By setting fees low, Deutsche Telekom could significantly reduce the value of the alternative networks that the utilities and other companies

But while there is still uncertainty about the development of the German telecoms marmore clues about where it is

The group has bid for a 49.9 per cent stake in DBKom, the telecoms subsidiary of Deut-sche Bahn, the federal railway system. It has done so with Bell South, the US regional operator which is its strategic telecoms partner, and with one other leading German company which it may name as

early as next week. DBKom controls the only

announcing new tariffs:

had been liberalised.

pushchair to walk".

chief executive, yesterday wel-comed the new competition, but criticised the way in which

the Italian mobile phone sector

Speaking at a conference in Milan, he said that for the time being, Omnitel was having to rely on Tim's GSM network for

areas not covered by its own

network "like a new-born baby

which has to lean on TIM's

Mr Francesco Calo, his

counterpart at Omnitel, said

TIM's network did not cover-much more territory than Omnitel, but that the new

visual eector aimed at

Sofirad, created in 1942, con-

trols the state's 83.33 per cent

stake in Radio Monte Carlo

(RMC), the company which operates a radio station and

has controlling interests in two

radio broadcasters and a

related advertising business.
Bids opened yesterday for
purchasers of the RMC stake,
with a minimum price tag set
by the independently-

controlled privatisation com-

mission believed to be FFr500m

which it has said it wants to invest in telecome before 2000. because about 65 per cent of its sales still come from steel and tors where markets may move into a recession in coming

by placing 27 per cent of Thys-sen Telecom, and expects to be able to find another DM500m if it were to sell the 13 per cent in Thyssen Telecom which is still available. Thyssen has said it wants to hold on to 60

DM2.5km which Thyseen hopes to be able to raise from cash announced net profits of DM775m for the financial year just ended, helped by a strong steel market, but Thyssen admitted that if there was a downturn there could be problems. "If we had no profits from steel it would be difficult," the company said. "Inat's obvious."

Threesen has also applied to the telecome ministry for a license to run a pilot project for Code Division Multiple To overcome this investment hurdle, observers suggest that Thyssen Access or CDMA, a mobile tele-coms technology developed in the US which allows telecoms tors. A possible partner could be Veba, given that the two operators to bridge the last kilometre between the fixed net-work and the client. companies are neighbours in Disseldorf and are sharehold-Analysis point out, however, ers in E-Phis, Germany's third that Thyssen is financially the mobile phone network and weakest of the five companies Thyssen Telecom's biggest

honing to compete with Dent-Thyssen will not be drawn on whom it might co-operate with, but Mr Vogel is adamant sche Telekom. Three of the would-be operators - RWE, Vehs and Viag - are utilities which are cash-rich because of that there is only room for three, and better still only their regional electricity monopolies. The fourth, the engineering group Mannes-mann, has the advantage that two, operators" to compete with Deutsche Telekom. "At the moment we are talking it already has a flourishing mobile phone network with intensively, each with one another," he says.

Thyssen might have prob-Michael Lindemann

Sharpe in Landon.
The facility is divided into

interbank offered rate (Libor),

while the second of L600bn is

linked to domestic interest

issuance of guarantees in

favour of other Omnitel

the loan is based on financial ratios linked to Omnitel's

financial performance: the starting margin is 175 basis

points over Libor, falling to a

minimum of 62.5 basis points

as operating cash flows

In addition, Finnish Export

Credit has granted a five-year

1.306bn export credit line for the financing of supplies from

RMC controls 100 per cent of

Radio Montmartre, which broadcasts largely to elderly listeness, and holds 51 per cent

of Radio Nostalgie, aimed at a middle-aged audience. It also

owns Génération Expertise

Médle, which co-ordinates

advertising sales to the three

Prench government's stakes in Canal Horizon and MCM, two

television stations, and in several radio stations aimed at lis-

teners in other countries.

Sofirad also controls . the

Nokia to Omnitel

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Raymond James & Associates, Inc.

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December 1995

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**CONTRACTS & TENDERS** 



BIDDING NOTICE

INTERNATIONAL PUBLIC BIDDING EDICT No. 0295 TOURISM DEVELOPMENT PROGRAM FOR BRAZIL'S NORTHEASTERN REGION - PRODETUR - NE

RÉPUBLICA FEDERATIVA DO BRASIL

BAHIA STATE GOVERNMENT
POWER, TRANSPORTATION AND COMMUNICATION BUREAU - SETC
DEPARTMENT OF TRANSPORTATION AND TERMINALS - DTT

The Department of Thansportation and Terminels (DTT), organization under special policy, attituded to the Power, Transportation and Communication Burness (SETC) of the Bable State Government, holder of the Taxpayer Roll No. 13.987.115/0002-90, tisrough to Bidding Committee, hereby announces that on the 15th of January of 1896, at 2,00 p.m., in the Meeting Room located at Av. Letz Viena Filho, 4° avenda, 435, C.A.B., Salvador-BA, Brazil, shall be receiving Tenders and Qualification Documents regarding the execution of CONSTRUCTION AND EXPANSION WORKS AT THE AIRPORT OF PORTO SEGUNO as described in the Edict.

WORST AT THE ARPORT OF PORTO SEGURO as described in the Edict.

Brazilian and overseas companies proceeding from the Inter-American Development Bank (IDB) member countries may take part in this blotting.

The resources for the implementation of the works that are subject of this Edict shall be originated in the PRODETUR-NE - Runters Development Program for Brazilia Northeastern Region, which is partially funded with resources guaranteed in the Loan Agreement No. 841/OC-BR settind between the IDB and the Banco do Nordeste do Brazil State corresponding financial counterpart, according to the Budgetary Act No. 6701/94 of December 28, 1994, and Decree No. 3986 of February 7, 1995.

The Edict complete documentation may be acquired at Av. Luiz Verna Filho, 4º Avenida, 435, C.A.B., from December 1st, 1996, to Jenuary 06, 1998, from 01:00 p.m. to 07:00 p.m., upon payment of R\$1,000.00 (one thousand reals).

Joire Sike Delcum President of the Bidding Committee



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The debentures are the obligations of the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States, and are issued under the authority contained in Section 304(b) of the Federal National Mortgage Association Channer Act (12 U.S.C. 1716 et seq.).

The debentures, together with any interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than Fannie Mas.

The offering is made by the Federal National Mortgage Association through its Senior Vice President and Treasures with the assistance of a nationwide Selling Group of recognized dealers in sequence.

Debentures will be available in Book-Entry form only. There will be no definitive securities offered.

Linda K. Knight Senior Vice President and Transums

#### **CONTRACTS & TENDERS**

#### **COOPERATIVE REPUBLIC OF GUYANA**

**Pregualification of Contractors** 

#### **RE-CONSTRUCTION OF 13 km SEA DEFENCES**

- 1. Tha Cooperativa Republic of Guyana has racaivad loans/credits from thraa donor agencies as follows:
- Inter-American Development Bank IDB LOAN No: 877 SF-GY;
- Caribbean Development Bank CDB LOAN No: 8/SFR-GU: International Development

IDA CREDIT No: 2477-GUY. (hereinaftar called the Banks)

Association

- It is intended that these loans would be applied to make eligible payments under four contracts, for the reconstruction/ rehabilitation of see defences, totelling over 13km in langth, in selected areas along the coastal belt of Regions 4, 5 and 6 in Guyana,
- 2. The tandera are to he invited simultaneously and tanders may ba aubmitted for Individual contrects or for any combination of contracts. Contracta will be awarded on the basis of tha lowest evaluated price for all four contracts combined, either as individual contracts from diffarent bidders, or as bids for two, three or all four contracts as a package or
- 3. The Project Execution Unit (PEU) now invitas praqualification data from contracting firms wishing to bid for tha work. Firms or joint ventures wishing to prequality for an individual contract must coma from Ragional or non Regional member States of the IDB, or the CDB, or the IDA, as appropriate.
- 4. Firms and joint venturas wishing to tandar for all contracts as a packages must come from Regional or non Regional member States of the IDB, the CDB and

- IDA. (le Bahamas, Berbedos, Bellze, Canada, Columbia, Franca, Garmany, Guyene, Italy, Jemelce, Mexico, Netherlands, Trindad and Tobago, United Kingdom or Venzuela)
- 5. It is estimated that the invitation for bids will take place in April 1996.
- 6. Invitations for bidding will only be sent to firms or joint ventures which are prequalified.
- 7. Prequalification data must be supplied on tha form which may be obtained from the Project Director at the eddress below and muat he raturned to the Project Director, to reach him no later than 2 pm on 30 January 1996. A copy of the completed form must be sent simultanaously to the Chief Project Officer at the second address below.
- 8. The Government shall not be bound to give any reason for not qualifying any applicant and shall not defray any cost

Project Director, Telephone No: Guyana Sea Defances, 592-2-65860

Project Execution Unit, Fax No: The Grandstand, 592-2-63611 Homestretch Avenue, Georgetown, **GUYANA** 

Chief Project Officer, Telephone No: Economic Development 809-431-1600 809-426-7269 PO Box 408, Wildey, St Michael. BARBADOS

#### **PUBLIC NOTICES**

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

A licence to run telecommunication systems under section 7 of the Telecommunications Act 1984 has been granted to Orange Personal Communications Services Limited.

1. The Secretary of State hereby gives notice:

- (a) that he has duly reconsidered the proposals in respect of which he published a notice on 24 May 1995 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant a licence under the Act to Orange Personal Communications Services Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom;
- (b) that he has granted such a licence ("the Licence") to the Licensee, being a licence which includes conditions such that section 8 of the Act applies to them, thereby making the Licensee eligible to have the Telecommunications Code contained in Schedule 2 to the Act applied to it under section 10 of the Act;
   (c) that he has applied the Telecommunications Code ("the Code") in the Licensee throughout the United Kingdom. The application of the Code to the Licensee is subject to certain exceptions and conditions. The effect of these exceptions and conditions is that the Licensee has duries:
  - i. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any
  - ii. to comply with conditions designed in ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or
  - iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers
  - iv. to keep and make available records of the location of underground apparatus and copies of exceptions and conditions in the Licence to the powers under the Code; and
  - v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of

2. The Secretary of State has applied the Code to the Licensee:

- (a) because the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the Licence;
- (b) subject to the exceptions and conditions referred to above because they are considered requisite or expedicot for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licenser can meet (and relevant persons can enforce) liabilities arising from the execution of
- 3. The Secretary of State has granted the Licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type anthorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
- 4. The Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State un 30 days notice in the circumstances specified in the Licence.
- 5. Copies of the Licence may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £16.00 each, postage and packing free.

Valerie Carpenter (Mrs) Department of Trade and lodgstry

7 December 1995

## INTERNATIONAL COMPANIES AND FINANCE

# Netscape shares shrug off doubts NY state By Louiss Kehoe date. In snite of vaccandant.

in San Francisco

Netscape Communications, the Internet software start-up that made its stock market debut in August at an offering price of \$28, continued its meteoric ascent this week in spite of industry fears that should the company falter and its share price drop, it could drag the US high-tech sector down with it.

The share price has risen \$23% this week, from its closing price of \$137% on Friday to trade at \$161 in mid-session yesterday. On Tuesday the shares closed at \$171, up \$211/2, its biggest single-day gain to net. However, industry ana-

date. In spite of yesterday's profit-taking, it was still up 176 per cent from its first-day close lysts warned that it faced several significant challenges.

The company lacks the infraof \$581/4, four months ago.

With only one profitable quarter to its name - the company recently reported net income of \$1.4m on sales of \$21m for the three months to September 30 - Netscape now has a market capitalisation of more than \$6bn.

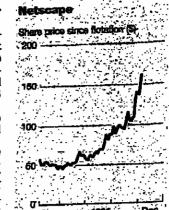
"It's a goldrush," said Mr Bill Gates, chairman of Microsoft, who today will unvail his company's strategy to become a leader in Internet software. Netscape is riding a wave of investor interest in the Inter-

market research group.

aging acquisitions in the soft-ware industry.

structure for customer support and services that it needs to compete with much larger software companies, said Mr Karl Wong of Dataquest, the US Netscape is also expected to

make acquisitions to expand its product line and resources. We need to make some acquisitions...there is enormous pressure on us," said Mr Peter Currie, Netscape's chief financial officer. He noted, however, the difficulty of man-



## Schulhof steals Sony's thunder

Resignation of the head of its US arm has flung the group into turmoil

his should have been a great week for Sony Entertainment, Mariah Carey entered the US singles chart at number one, as did Michael Jackson in the UK. Its Christmas films, Jumanji and The American President, have

been well reviewed. But on Tuesday the company was flung into turmoit by the surprise resignation of Mr Mickey Schulhof, 53, as head of Sony's US interests. These include the Columbia and Tri-Star film studios, and Sony Music, one of the world's largest record companies with Bob Dylan and Bruce Springsteen on its roster.

The departure of Mr Schulhof, who had worked for Sony for 21 years and played an important role in orchestrating the \$2bn acquisition of CBS Records in 1988 and a \$3.4bn film studio deal in 1989, has fuelled speculation that Sony may follow Matsushlta, Its rival Japanese electronics group, by selling Its US entertainment interests.

"They haven't exactly bung up a 'For Sale' sign," said one New York-based entertainment industry analyst. "But It looks as though they wouldn't say

'no' to a good offer."

When Sony entered the US entertainment world in the late 1980s, it saw the deals as an opportunity to exploit the synergies between the films and music played on the video cassette recorders and hi-fi systems made in its factories.

Mr Schulhof, a close associate of Mr Akio Morita, Sony's then-chairman, took charge of the entertainment subsidiaries as bead of the expanded US business. In 1989, Sony took an unusual step for a Japanese Mr Jack Schmuckli, the Swiss head of Sony Europe, to Its main board.



Michael Douglas and Annette Bening in The American President

Sony fared well with its newfound music interests after Mr Schulhof replaced Mr Walter Yetnikoff, its flamboyant head, with his own protegé, Mr Tommy Mottola, The success of Mariah Carey, the US singer now married to Mr Mottola, helped compensate for the 1993 crisis when Michael Jackson, Sony's best-selling artist, faced allegations of child sex abuse.

Sony Music has since lost momentum. HIStory, the latest Michael Jackson album, has sold 9m copies since its release this summer, an impressive tally for any other artist but not by his standards. Sony this year lost its traditional number two slot in the US music market, behind Warner, to Poly-

The music division's difficulties pale beside those of Sony westerners, Mr Schulhof and losses under the spendthrift reign of Mr Peter Guber and Mr Jon Peters, the producers hired by Mr Schulhof.

mandeered a corporate jet to send flowers to a girlfriend, was swiftly ousted. Mr Guber stayed on to champion a \$1bn investment programme until his departure last year. Mr Schulhof's job has been on the line since last autumn when Sony announced it had

gone into the red after writing

Y265bn (\$2.6bn) off the value of

Mr Peters, who once com-

its film business following a string of flops, including Last Action Hero starring Arnold Schwarzenegger. ony Pictures bas since Stabilised with modest successes including Bad Boys. The Net, Little Women

and Legends of the Fall. But It bas yet to produce a big hit. Meanwhile, the focus of interest in electronics has computing, as personal compoters bave encroached into the consumer electronics market Last month's announcesignificant change in strategy. This move highlighted the growing influence of Mr

conductor maker, to move into home computing signalled a

Nobyukei Idei, Sony's president, at the expense of Mr Schulhof, who had seemed increasingly isolated since his mentor, Mr Morita, was succeeded as chairman by Mr Norio Ohga.

Mr Idei, 57, will now take control of Sony's US electronics operations. Mr Obga will be in charge of entertainment with Mr Jeffrey Sagansky, who was hired by Mr Schulhof as his number two last year, reporting to him without any expansion of his existing responsibilities.

The decision not to replace Mr Schulhof has been inter-preted on Wall Street as an indication that Sony is considering the sale of its entertainment interests.

There would, in theory, be no shortage of suitors for Sony's film and music companies which, in splte of their recent difficulties, are blue chip brand names with fahulous assets. A number of would-he bidders, including PolyGram, were furious last winter when Matsushita clinched a secret deal to sell control of MCA to Seagram. the Canadian drinks group.

However analysts suspect that Sony would be lucky to recoup the \$9bn-plus it bas already ploughed into its entertainment interests. Sony would also have to swallow a substantial foreign exchange loss (as Matsushita did with MCA) because the yen has risen so strongly against the dollar during its foray into Hollywood.

Alice Rawsthorn and

## buy Lilco in \$4.5bn deal

By Richard Tomkins In New York

New York state's governor Mr George Pataki yesterday announced plans to break up and abolish the Long Island Lighting Company, a quoted US utility better known as Lilco, as part of a politically popular move to cut Long Island's electricity rates by 12

per cent The highly unusual proposal will involva taking Lilco's electricity grid out of private sector ownership and transfer-ring it to the public sector. This will cost New York State \$4.5bn, to be financed through the biggest bond sale in the history of the municipal bond market. ment that Sony was joining forces with Intel, the US semi-

The rest of Lilco's activities. comprising its power genera-tion plant and its gas business, will be anctioned off to other

private sector companies.
Plans to nationalise Lilco were first drawn up more than a year ago by Mr Pataki's Democratic predecessor, Mr Mario Cuomo, who was fighting for re-election as governor of New York State. Long . laland voters bad been protesting that they paid the bighest electricity rates in the US.

When Mr Cuomo was ousted by Mr Pataki, a Republican, it looked as though the plan would fold. Instead, Mr Pataki has announced a variation of the proposal which involves a slightly higher level of private sector participation.

Under the new plan, the Long Island Power Authority, an agency of New York state, will use a \$4.5bn tax-exempt bond issue to buy out Lilco's grid together with all the company'e debt and equity. The running of the grid will be contracted out to a private sector utility.

Llico's power generation plants will be anctioned off "in logical groupings" to separate private sector companies, which will then compete to snpply power to the grid. Mr Pataki said the 12 per

cent cnt in electricity bills would flow from a reduction in debt costs because of the tax-exempt status of New York State's municipal bonds, and a cut in taxation because the Long Island Power Authority would be exempt from federal

income tax. Lilco's sbareholders will be bought out with funds arising from the bond issue and the was unclear yesterday wbat price they would receive.

The company's shares were William Dawkins | np \$1/2 at \$17 in early trading.

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### **CONTRACTS & TENDERS**





#### THE STATE OF ISRAEL issues an

INVITATION

to interested Companies or Consortia to participate in an INTERNATIONAL PREQUALIFICATION PROCEDURE The purpose of this procedure is to select a Company or a Consortium which is able by way of a

CONCESSION To finance, design, construct, operate and maintain THE CROSS ISRAEL HIGHWAY (Phase 1) 90 Kilometers, between Route No. 3 and Route No. 65

AS A TOLL ROAD The selection of a concessionaire will be conducted as a public competi-

• The selection of a concessionaire will be conducted as a public competitive process in two stages: The prequalification stage, and the tender stage.
• A short list of successfully prequalified applicants will be invited to participate in the tender stage, through which it is expected that a concessionaire will be chosen and granted a concession to finance, design, construct, operate and maintain the Cross Israel Highway toll road (Phase One - 90 kilometers).

kilometers).

• Prequalification Documents ("PQD") may be obtained from:
THE CROSS ISRAEL HIGHWAY, LTD.
13 Noach Moses Street, Tel Aviv 67442, Israel
Tel: 972-3-696 9889, Fax: 972-3-696 1192, Att: Mrs. I. Wainberg
between 09:00 and 15:00 hours. Sundays through Thursdays, against payment of US\$3,000 (three thousand US Dollers), or its equivalent in NIS.

• Payments can also be made by telegraphic transfer referred to CROSS
ISRAEL HIGHWAY PQD to the account of CROSS ISRAEL HIGHWAY,
LTD., number 214442, First International Bank Of Israel, Branch # 048,
Carlebach Street, Tel Aviv, Israel. The PQD will be provided against pres-

entation of the transfer receipt.

- All responses to the PQD, completed in English, should be submitted to the above address so that they are received not later than 17:00 on March

Negotiations with applicants may be held during the selection process.
 The prequalification procedure shall be governed solely by the provisions contained in the PQD.

\* A meeting with Cross Israel Highway Ltd. management and consultants will be held in Tel Aviv on January 23, 1996, for the purpose of answering any questions. Those interested in attending this meeting are requested to notify the Cross Israel Highway. Ltd. at the address listed above. The exact

notify the Cross Israel Highway. Ltd. at the address listed above. The exact location and hour of the meeting will be announced.

• Questions and requests for clarifications may also be referred in writing at any time up until March 7, 1996. A summary of these written inquiries and the responses thereto, as well as the summary of the questions and responses from the January 23, 1996 meeting in Tel Aviv, will be sent to all purchasers of the PQD documents. Only written responses shall be deemed to be an integral part of the PQ documents. to be an integral part of the PQ documents.

## plan to improve profits

**Bausch & Lomb reveals** 

By Richard Tomkins

Bausch & Lomb, the US maker of contact lenses and sunglasses, yesterday met its institutional investors in an attempt to persuade them the company was capable of improving on its disappointing profits performance.

It said an important feature of its three-year strategic plan would be to move out of traditional contact lenses into the low-price, high-volume disposable contact lens market.

The day before, Mr Daniel Gill, chairman and chief executive, had taken the unusual step of asking the board for a 10 per cent pay cut. He also announced that salary increases would be postponed for all 30 of the company's senior executives "until earnings reach an acceptable

Bausch & Lomb had a difficult year in 1994, with full-year net income falling from days.

lens business was badly hit by competition from its biggest rival, Johnson & Johnson. which dominates the growing market for disposable lenses. Its Ray-Ban sunglasses husiness was hit hy changes in fashion to newer styles. In addition, the Securitles and **Exchange Commission started** an inquiry into the company's

accounting practices. This year's figures have shown a gradual improvement. hut on Tuesday the company announced that the recovery was not proceeding at the expected pace and warned that fourth-quarter earnings per share would be in the range of 40 cents to 50 cents - far short of the 77 cents expected by

The shares lost \$2% to \$35% on Tuesday and shed another \$1% to \$33% in early trading yesterday, making a fall of almost 11 per cent over the two

### Avenor set to buy back Pacific Forest shares

analysts.

By Robert Gibbens in Montreal

Avenor, one of North America's leading pulp, newsprint and printing paper pro-ducers, plans to buy the 9.3m Pacific Forest Products shares it does not own at C\$18 a share cash for a total C\$167m

The price is 29 per cent above the 20-day average market level of Pacific up to December 4, and compares with a 52-week high of C\$163. The bid requires 90 per cent

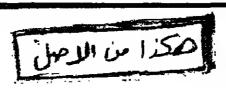
acceptance. Avenor took its Western Canada logging and timber producer public in 1993 under the name Pacific Forest. The recession was at its beight and Avenor urgently needed cash. The price was C\$13 a share. Avenor kept 53 per cent con-

export 70 per cent of its timber production to Japan, Its logging and timber resources are partly on Vancouver Island and it supplies fibre to Aven-or's Gold River pulp mill there. The other timberlands are on the southern British Columbia mainland.
The hld will be mailed by

mid-January and will expire 21 days later. Pacific's resource base and modern sawmills, geared to

international markets, will be consolidated with Avenor's

fibre resource base in eastern and western Canada. Avenor is buying back the 47 per cent of Pacific just when most forest products prices are down from recent peaks. Early yesterday Pacific shares were at C\$19. suggesting institutional sbarebolders are holding



trol and Pacific cootinued to out for a higher price.

"bad deliveries", Mr Patil claims a rate of only 0.4 per

Moreover, the NSE, unlike

the BSE, effectively insures

members against counter-party risk, by itself buying out and paying off positions where set-

tlement breaks down.
The NSE has won government approval to establish a

separate clearing corporation which will hold a \$75m settle-ment fund to formalise the

resent system. Mr Patil says he intends to

lutely guaranteed by the

establish a share depository, to facilitate the shift from the

present physical, paper-based

share trading to a system of computerised book entry.

biggest mutual fund group, will be partners in the deposi-tory, which Mr Patil believes

could be operating in eight

The NSE also has a team

working to improve the

market's present index with a view to introducing index-

based futures instruments. No

formal futures trading exists in

Such reform-mindedness has

won the NSE admirers, notably

among foreign institutional

investors operating in Bombay. Not only is the newer

exchange free to develop with-

out the accumulated baggage

of 120 years of often antiquated

regulations, but many foreign

investors also regard its man-

Whether, as Mr Patil asserts

tance between us and the rest

the next few years," remains to be settled. That the rivalry between the NSE and the BSE

markets appears certain.

becoming increasingly large in

The IDBI and UTL India's

The NSE is also planning to

#### INTERNATIONAL COMPANIES AND FINANCE

## High-tech bourse spurs on rivals Agreement

Bombay's NSE gained from the Reliance row, says Mark Nicholson

he result of the bitter tussle between the Bombay Stock Exchange. India's biggest stock market, and Reliance Industries, the country's biggest quoted com-pany, is roughly a draw, according to Bombay marketwatchers.

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"There are no clear winners or losers - both sides are generally back where they were," said one broker after the textiles and petrochemicals group this week withdrew its threat to delist from the BSE. The threat was prompted by

the exchange's earlier threeday suspension of Reliance stock as punishment for alleged malpractice in issuance of duplicate shares: There may, however, be one

quiet winner from the complex and unseemly row: the National Stock Exchange, Bombay's second, and India's newest, bourse. "If anything beneficial came out of the affair," says Mr Ramchandra Patil, the NSE'a managing director, "it was bringing the NSE into the limelight."

Reliance had asserted that if it did delist from the BSE, India's most beavily traded stock would anyway have a home on the NSE. At the height of the row, and fuelled by this statement, turnover on the NSE soared to outstrip that on the BSE. Last Friday it set a record Rs4bn in trade volumes of which some Rs3.1bn (\$88.93m) was in Reliance stock.

Peace between Reliance and the BSE may, for now, restore the 120-year-old bourse's trading pre-eminence over the oneyear-old NSE. But Mr Patil is confident this will not endure. In the information technology age, he says, India's 23 regional stock markets - of which the BSE is by far the biggest - will become irrelevant and the NSE eventually predominant.

The NSE was created on the initiative of the Industrial Development Bank of India. the country's largest financial

institution.
It was intended "to bring the best international practices into the capital market, to be a model exchange and to exert competitive pressures on the other exchanges," Mr Patil says Owned by 20 of India'a state financial institutions, and quietly encouraged by the government to spur reform in competing bourses, it has already had an impact.

The NSE began equities trad-ing in November last year, launching India's first fully

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(US \$5,000,000 due December 15, 1995 and US \$5,000,000 due December 15, 1996), together with interest accrued to the Redemption Date which determines a redemption value of US\$10,462,500. The Redemption Price of the obligations will become due and payable on the Redemption Date and, unless the Company defaults in making payment thereof, interest on the Obligations will cesse to accrue on and after such date. Payment of the Redemption

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Dated: December 5, 1995

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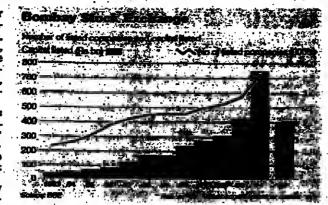
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US \$25,000,008



screen-based trading system, using software developed for Vancouver Stock

The NSE's launch in turn ate its own aniomation. It introduced its long-delayed Bombay On Line Trading (Bolt) system in March this year. Other regional bourses are fast catching up. "Without the NSE, it would have taken the BSE 10 years to do what it has now done in one," remarks one Indian broker. Today the NSE has 370 listed

ies, against 4,400 on the BSE, but under present laws members can trade in a total of more than 1,300. Even more relevant to its growth, accord-ing to Mr Patil, is its national Using Vsat (very small aper-ture terminal) satellite links,

the NSE allows traders across India near-instant access to a single, liquid market. The NSE now has 600 Vsatusing members in 21 Indian cities and has contracted to provide a total of 1,750 links by

exchange, deeply frustrates the BSE, whose president, Mr Kamal Kabra, openly acknowl-edges that the NSE poses a serious competitive threat to The BSE wants to extend its Bolt system across India, but has been prevented from doing so by laws which protect the jurisdiction of each of ludia's

from outside Bombay. Such national reach, possible

because the NSE was established with the purpose of becoming a truly national

regional exchanges. The NSE is also working on a series of further advances which, it believes, will further distance it from the pack of other bourses and, most particularly the BSE.

he NSE's seven-day share settlement system is already, by common market consent, more efficient and more toughly policed than that on the BSE, where share settlement can take three or more messy weeks,



Under pressure: Bombay Stock Exchange admits NSE is a threat

## Thai mobile phone operators upbeat on regulatory changes

By Ted Bardacke

Advanced Information Services. and Total Access Communications, Thalland's two main mobile phone operators, are facing tough regulatory changes but both are confident that they are in a position to drive a hard bargain with the

The two operators, with a virtual duopoly over the indus-try, will soon be called into negotiations in which the Thal government hopes to atrip them of their exclusivity, convert their concessions licences and then open up the market to new groups. It is the latest move in the government'a attempt to extract itself from a regulatory mess caused by concessions handed out across the telecom-

munications industry. "Yes, these companies live in regulatory madness," said Mr Paul Ngo, a telecommunications analyst with Baring Securities. "But the downside of that uncertainty is actually

Both companies maintain that even when new competitors enter the market it will take at least three years to set up a nationwide network.
Two already built two mobile networks and I know you can't just flick a switch and get a system going, said Mr Traian Stanescu, general

manager of TAC.
"We've been able to start in Bangkok and then move out to cover the rest of the country. A newcomer will have to have nationwide coverage and a perfect service from day one, or no one is going to sign

up."
In the meantime, both Advanced, with more than 600,000 subscribers, and TAC. with about 450,000, will contime to sign up subscribers. They are each expected to have more than im subscribers before a competitor has even

one.

Because these subscribers are the first to sign up, they tend to be high volume users.

A potential competitor can therefore be left with slim

The high cost of handsets and their inability to be switched between systems has increased customer loyalty to a particular company.

With monthly fees and call

charges already some of the lowest in the world, there is little room for a newcomer to give away handsets subsidised by high call charges, as is the case in the US and the UK.

The companies contend that unless the Thai government is able to change the entire legal framework governing the tele-communications industry, it will not be able to remove their exclusive contracts without risking a conflict. In the words of one

Advanced executive, such a move would create "a nasty court bettle, bad international publicity and falling share prices, which will drag the whole stock market down. We are willing to give, but they will have to give as well."

The companies feel they are en a strong footing and are seeking a liberalised industry with no government revenue sharing currently 20 per cent of gooss revenues for Advanced and 25 per cent for TAC, and some form of "compensation". That compensation is likely to take the form of a licence to

operate fixed lines. The Thai government will soon divide the country into six zones, and Shinawatra and United Communication, the parent companies of Advanced and TAC, will probably be altocated a zone.

Telecom Asia and Thai Telephone and Telecommunication, the two existing private fixed line operators, are considered the most likely to apply for the new mobile network licences. Circuit Electronic Industry, a Thai producer and exporter of printed circuit boards, plans to float 12.5m new shares through an IPO ing, AP-DJ adds. Dhana Slam Finance and Securities, lead underwriter,

said the price is expected to be

Bt45-Bt50.

## close on **Philippine** oil buffer fund deficit

The Philippines' three oll companies are close to reaching an agreement with the government over the growing oil buffer fund deficit, which has threatened to blow a hole in their balance sheets.

m their balance sheets.

Executives for the three companies - Caltex (Philippines), Shell Pilipines, the local arm of the Angio-Dutch gain a triple-A credit rating for the settlement fund: "This will mean all settlements are absogroup, and Petron, the priva-tised company 40 per cent owned by Saudi Aramco – met senior government ministers this week and said the two According to Mr Reinler Willems, thief executive of Shell in Manila, the govern-ment has agreed to study a proposal for the three to defer payments of duty on the sale of petrol until oil price rises are officially approved next

> year.
> "At last the government appears to understand our case," Mr Willems said. "They have agreed to look closely at

our proposal."
The buffer fund deficit. which has reached 7.6bn pesos (\$290m) and has kept local pet-rol prices well below world market levels, is being met by company debt in lieu of government payment.

The three companies, which have lobbying hard for an instant reimbursement, bave complained that the govern-ment's plan to repay the debt without interest means they will lose large sums of money. Mr William Tiffany, head of Caltex in Manila, also urged the government yesterday to scrap plans to impose a 10 per cent value added tax on oil

company service charges. The tax, which is scheduled to come into effect in January, is expected to reduce oil company net profits by about 10 per cent, according to some estimates. The government has not yet

given a date for liberalisation of oil prices.

However, officials say the next price rise approval will take place after the end of the calendar year, coinciding with the three companies' financial This means the three groups

will be the primary motor for further reforms to India's stock are almost certain to record lower net profits than in 1994.

#### **ASIA-PACIFIC NEWS DIGEST**

#### Yannon probe set to last into 1996

The Australian Securities Commission, the securities industry watchdog, said yesterday that it did not expect to complete its investigation into the "Yannon transaction" – which sparked a row over corporate governance at Coles Myer, Australia's largest retailer – until early next year.

The commission's inquiries, which had been expected to end before Christmas, are likely to be crucial to the question of whether any legal action is purposed over the Yannon issue.

whether any legal action is pursued over the Yannon issue. The complex Yannon deal cost Coles A\$18m (US\$13.28m), and indirectly benefited interests related to Mr Solomon Lew, Coles' former chairman, by a like amount.

Meanwhile, Coles yesterday falled to have claims for wrongful dismissal filed against it by former finance director, Mr Philip Bowman, struck out. As a result the retailer will have to file a defence by mid-December. It was the sacking of Mr Bowman in September which brought the Yannon transaction to light.

#### Genting finds 189,000 fake shares

Genting, the Malaysian investment holding group, said 189,000 forged shares had been discovered in its month-long share recall operation. The company said about 267m shares of its 702m share capital base had been verified as genuine and would trade under the scripless system from today.

The Kuala Lumpur Stock Exchange suspended Genting from trading on October 30 when fake scrips were discovered. Genting said shares held by Kien Huat Realty were among the 435m shares not sent in for verification. Kien Huat has a 40 per cent stake in Genting, which said Kien Huat was unlikely to send in its shares because it would not want to trade them. Genting added that investors who wanted to trade Genting shares from tomorrow would first have to send them for verification and conversion into the scripless trading system Apart from Kien Huat's holding, about 22 per cent of the share capital - or 154m shares - has not been sent in for

■ Metrod, seeking a listing on the Kuala Lumpur Stock Exchange, is offering 8m shares to the public at M\$3.20 each. Metrod, which has a paid-up capital of M\$32m (US\$12.6m), manufactures copper wires and rods through Malaysian and Indonesian subsidiaries. The group has a combined production capacity of 89,000 tonnes of copper rods and wires a year.It made a pre-tax profit of M\$8.83m in the first seven months of this year, against M\$13.43m for the whole of 1994.

#### Republic Cement seeks finance

Republic Cement, the Philippine cement maker, is seeking Securities & Exchange Commission approval to raise its anthorised capital from 700m pesos to 1.5hn pesos (\$57.28m). The increased authorised capital would cover the 40 per cent stock dividend declared by the company and approved by shareholders in September. The increase is also meant to partly finance the company's expansion project, which is estimated to cost 2.5hn pesos. The project involves setting up a coment manufacturing facility with a daily capacity of 3,300

A major part of the project was financed through a 1.48bn-peso loan from banks and other financial institutions, as well as through private placements and the issuance of convertible bonds with non-detachable warrants amounting to 129bn pesos. The balance of the cost will be raised through a planned rights offer and a secondary offering next year involving 125m shares at 4 pesos each. AP-DJ, Manila

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BAKYRCHIK GOLD PLC

#### Bakyrchik Gold PLC

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and an option to subscribe for a further 4,770,000 New Ordinary Shares

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advised Robert Friedland and Juhannes Kotio on their investment

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This announcement appears as a matter of record only.

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#### LEGAL NOTICES

All persons having Linux against the Company, are requested to send details thereof to the undersigned fourt Liquidator not lawy than 31 famous 1994

All persons indebted to the said Contiers, are requested to settle the accounts concerned discri-to the joint Lapinique not later than 32 December CHRISTOPHER MORRIS, FCA

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NOTICE IS HEREBY GIVEN to holders of the above Bonds that the Extraordinary Resolution for the early repayment of the Bonds proposed at the meeting of Bondholders convened for 15 00 and (London time) on 6th December, 1995 was passed and that accordingly. all conversion rights attached to the Bonds have been suspended. The Bonds will be redermed in full at 100 per cent, of their principal amount, together with secrued interest, on 13th December, 1998. Bearer Bonds should be presented for repayment at the offices of any Paying and Conversion Agent, and Registered Bonds should be presented for repayment at the office of the Registrar, on or after 13th December, 1995 in accordance with their terms and conditions and the Extraordinary Resolution passed at the meeting of the Bondholders held on 6th December, 1995

Dated 7th December, 1995

PAYING AGENTS S.G. Warburg & Co Ltd. 2 Finsbury Avenue London EC2M 2PP Swiss Bank Corporation

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By Order of the Board N.R. Stocks

Secretary

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#### **COMPANY NEWS:** UK

## One-off costs cut NFC to £38.6m

By Geoff Dyer

Fierce competition and series of one-off costs led NFC to record a 25 per cent fall in annnai operating profits, in what the transport and logistics group described as its

"annus borribilis". The sbares fell 10p to 139p after the profits came in well below analysts's expectations. the fourth quarter in a row that the group has undersbot City forecasts.

Pre-tax profits in the year to September 30 were £38.6m (\$61m), against £105.6m, after the group took an exceptional £35m restructuring provision.

The group, which bas been criticised for complacency in recent years, bas undergone significant senior management changes, incinding five new board members this year.

Mr Gerry Murphy, chief executive since June, said the group had used £27.7m of the £57.2m restructuring provision taken over the last two years and had reduced the workforce

Analysts were impressed by the actions of the new management team. However, they said they were worried that the restructuring might not pro-

duce the required growth. Mr Murphy said the drop in operating profits to £88.2m (£118m) reflected a £10m boost last time from one-off considerations. This year's profits bad been beld back by special factors, incinding a large cus-tomer bankruptcy in the US and bigh litigation and claims costs. wbicb analysts estimated were between £5m and

Business strategy beginning to show results

## Bass's £599m beats forecasts

By Roderick Oram,

Brisk growth from managed pubs, soft drinks and Holiday Inn botels drove Bass'a pre-tax profits up 11 per cent to £599m (\$946m) in the year to September 30, exceeding most City

Its shares closed up 26p to 695p as some analysts raised marginally their forecasts to about £660m pre-tax this year and £725m next.

"We are starting to see Bass firing on all cylinders and outperforming its peer group in almost all sectors." one analyst

The flattest areas were leisure and brewing but analysts found some comfort in their performance. Impending liberalisation of bingo, amusement

machines and other forms of

RESULTS

betting to counter the National Lottery sbould help leisure improve on its unchanged prof-

"Our buainesses – food drink, bospitality and electronic entertainment - are converging," said Sir Ian Prosser, chairman. "All the business are focused on the end con-sumer and... the strategies we are pursuing are beginning to come through."

Bass is pursuing several thrusts across the group, he added. It is upgrading its pub and leisure properties and raising standards of its franchised Holiday Inn botels, increasing product innovation, particu-larly in alcoholic and soft drinks; and seeking cost reductions and acquisitions.

Sir Ian declined to comment on City speculation that Bass might bid for Ladbroke Group,



Sir Ian Prosser: 'strategies are beginning to come through'

the Hilton hotel and betting shop group, or Allied Domecq's half share in the Carlsberg-Tetley brewing joint venture.

Most analysts believe the majority of acquisitions will be small bolt-ons. Lex, Page 16

									Dividenda		
	Torrege	ner (Em)		-tux I (Enc)	ex	S (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total les year
Avon Rubber Yr to Sept 30 *	306.5	(280.2 )	18.2	(8.26♠ )	40.9	(13.6 )	12.35	Feb 5	11.5	17.7	16.5
Bass Yr to Sept 30	4,541	(4,452)	599	(552 )	43.4	(40.1)	15.6	Feb 12	14.5	22.7	21.1
Berisford Yr to Sept 30	403.2	[157.5.]	26 9	(3.2L♠ )	15.7†	(21L)	2	Jan 24	0.5	3	0,5
Slick Yr to Sept 30	56.8	(51.3)	14.2	(12.3)	34.2	(29.7)	9	Apr 3	8	13	11,5
lorder TV 6 mths to Oct 31	S.3	(5.5 <del>9</del> )	1.11	(O.849 <b>(</b> s)	6.5	(6.1)	2.2	Mar 11	1.9	-	4.8
TP 6 mths to Sept 30	188.9	(181.3)	21	(18.1)	9.07†	(8.83)	3.85	Feb 12	3.75	-	10.9
lutte Mining	1.36	(0.041 )	0.339	(0.351LV)	0.14	(0.15L)	-	-			-
caffyns	83.1	(81.4)	0.291	(0.336)	5.8	721	5	Jan 12	5	-	11.5
artion Comms Yr to Sept 30	1,580	(1,405)	246.7	(190.2 <b>\)</b> )	65.3	(53.8 )	14.3	Apr 9	12.5	23.6	20.65
elitech Yr to Sept 30	17.1	(14.2)	5.4L	(6.9L)	8.5L	(11L)	-	-		-	-
bambertain Phiops 6 mits to Sept 30	76	(666)	2.81♥	(4.46 )	4.21	(7.9)	2.7	Feb 6	2.7	-	8
Taythithe 6 mths to Sept 30	14.3	(13,6)	0.166	(0.301)	0.6	(0.4)	0.88	Feb 6	0.8	-	3.05
enby	25.8	(21.9 )	4.76	(4.13 )	9.81	(9.2)	2.3	Mar 9	1.4	3.45	1.4
xpro Initi 6 miths to Sept 30	37.3	(36,3)	S	(4.71 )	7.5†	(10.6)	23	Jan 30	-		
III Hire 6 mths to Sept 30 ☆	8.61	(5.96)	1.47	(0.933 )	4.5	(3.92)	1.23	Jan 31	-		1,12
FCYr to Sept 30 *	2,201	(2,058)	38.6♠	(105.6♥)	2	(11.2)	2.6	Apr 10	2.6	7.1	7.1
enna 6 mths to Sept 30	6.84	(4.91 )	0.35	(0.14)	3	(1.8)	1	Jan 17	1	-	1
obert Wiseman 6 mths to Sept 30	58 9	(49.4 )	3.92	(2.95 )	3.79	(3.24 )	1	Feb 22	0.9		2.75
terling Pub 6 mins to Sept 30	17.4	(24 9 )	2.79L	(1.38)	6.7L	(1.5 )		•	0.7		3.6
WP S Yr to June 30	8 33	(9.88)	0.749L	(0.251)	4L	(0.7 )		-	•		•
T Foods 6 mits to Sept 30	11.7	(10.8)	0.34	(0.736 )	0.22	(1.24)	0.5	Apr 1	0.5		25
felimen 6 mths to Sept 30	56.8	(26.6)	4.09	(1.89)	2.3†	(2.7)	0.45	Feb 10	0.4	-	1.6
avestment Trusts	MA	(b)		estable ys (Em)	EPS	(p)	Current payment (b)	Date of payment	Corresponding dyldend	Total for year	Total las
Reseing Indian Yr to Sept 30	61.1	(95.9)	0.234L	(0.474 )	0.281	(0.58 )	la.		0.45	nii .	0.45
forthern Investors 6 mins to Sept 30	372	(338)	0.146	(0.118 ]	3.9	(3.2)	2	Jan 25	1.5		8

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## **BTP** weak trend

By Motoka Rich

BTP, the speciality chemicals company, bucked the weak trend in the sector to raise interim pre-tax profits by 16 per cent from £18.1m to £21m (\$33m). Buoyed by its indus-trial safety and blocides and fine chemicals divisions, the group nvercame raw material price rises and squeezed margins in the six months to Sep-

Mr Steve Hannam, chief executive, said: "It was a tough first half with raw material price rises, but once again we were protected from the worst ravages by our spread of businesses across the group."

The group also announced tt was buying a manufacturer of soap ingredients for \$5.5m (£3.48m) from Monsanto, the US chemicals company.

Sales rose 17 per cent to £188.9m. The pre-tax line was belped by interest charges reduced to £561,000 (£1.6m) fullnwing February's £51.9m

rights issue.
The biocides and fine chemicals division raised operating profits by 33 per cent to £11.4m. The industrial business lifted operating profits 38 per cent to £4.6m (£3.3m). Raw material price rises depressed margins in the adhesives and textile coatings business, where operating profits fell to £2.1m (£3.4m). Mr Hannam 6aid maintained margins would have added £2m to oper-

ating profits,
Earnings per share rose to
9.07p (8.83p). The interim dividend was raised 5 per cent to 3.85p (3.68p). Its shares rose 12p to 271p.

#### Fury at pay-off for Raine chief

By William Lewis and Andrew Taylor

Institutional shareholders have reacted with fury to a £472,000 (\$746,000) pay off to Mr Peter Parkin, former chairman of Raine, the struggling construction and house build-

ing group. crass examples of payment for failure I ever seen," one insti-tutional shareholder said. Since the beginning of 1993

Raine's share price has underperformed the sector by more than 85 per cent and in April Mr Parkin was forced out. In November Raine reported

pre-tax iosses of £101.8m for the 12 months to June 30 and gave detalls of a rescne refinancing by the group's banks.

Two sharebolder groups said yesterday that they had considered whether action could be taken to reverse the pay ont, but bave concluded that nothing can be done.

## LEX COMMENT

NFC may be under new management but the flow of bad news has not been stemmed. With yesterday's dreadful full-year results, the UK logistics company would like to draw a line under the old regime. But the company'a problems are too funda-mental to be solved by a new face – bowever good – at the top. The reason is that its markets are badly oversupplied; aggressive competition has driven margins down and there is no sign of its abating. In this environment, the management's

aggressive cost-entting is essential. But NFC's competitors are cutting costs too, so i

has to run hard just to stand still

NFC's big customers will do their best to prevent cost reductions resulting in higher margins - they will want price cuts instead, and in an oversupplied market they have a strong negotiating position.

To achieve its target dividend cover of two times by 1997-8, even assuming healthy volume growth, NFC would have to improve margins by more than 50 per cent - which looks

Even if investors believed the target would be met, the shares would still not look particularly cheap. Earnings in line with the target in 1997-8 would put the current share price at only a 10 per cent discount to the market. This looks modest with customers increasingly reluctant to give them the protection of long-term contracts, logistics stocks are much more vulnerable to volatile demand than they were.

If evidence were needed that they do not make a good defensive investment, NFC's own record is eloquent.

#### DIGEST

## US sale completes **GKN** disposals

Sir David Lees, chairman of GKN, yesterday said the engineering group had completed its programme of selling off non-core businesses with the \$80m disposal of a US replacement car parts distributor. The Memphis-based Parts Inc is being sold to APS Holding, the national distributor of

car parts to the US automotive aftermarket based in Houston. GKN said the price, payable in cash, included a premium over net tangible asset value of \$6m. After taking goodwill and costs of disposal into account, an exceptional charge of \$16m will appear in the 1995 accounts.

Shares in GKN rose 5p to 814p on news, which was welcomed by analysts who said they had long been waiting for the disposal of PI, which they considered a non-core underperformer in the GKN portfolio. In February, GKN, severed its ties with the steel industry by selling its minority stake in UES Holdings to British Steel for £93m\_James Harding

#### Kingfisher recovery seen

Shares in Kingfisher, the retail group comprising B&Q. Woolworths, Comet, Superdrug and France's Darty fell 7p to 508p yesterday, in spite of oews that third quarter sales rose 4.8 per cent. Some analysts said they had hoped for better figures in the trading statement. But others said they showed that the group was continuing its recovery after a profits fall

ir lea to the departure of four directors in Jani "There is a recovery taking place," said one analyst. "It is a question of judging the pace of that recovery, and whether it is just a short-term recovery from last year's mistakes, or whether it is sustainable." Neil Buc

#### EC to look at Amec bid

The European Commission has opened a preliminary investigation into a £360m (\$569m) hostile bid for Amec the UK construction company, by Kvaerner a Norwegian ship-building and engineering group group. According to a statement in the European Official Journal the bid fell under the scope of the European Union's merger regulations designed to protect fair

Clifford Chance, Kvaerner's lawyers said yesterday: "These are the normal procedures, and we are confident that the acquisition will be cleared within the standard one month

## Six groups exit in FT-SE changes as Grid moves in

Philip Coggan on some of the most sweeping changes to the index since its creation in 1984

Six new companies are to join the UK's leading stock market benchmark, the FT-SE 100 Index, in one of the most sweeping changes since the index was established in

Inclusion in the index brings prestige to the constituents and increased demand for sbares from investors, as index-tracking funds are forced to include the stock in their portfolios. For the same reason, demo-

tion from the index will lead to sales by tracker funds. One change had to be made to the index to accommodate the arrival of National Grid, the power transmission group, which is being demerged from the regional electricity compa-

On December 11, National Grid will replace Inchcape, the international marketing and services group, which has suffered a sharp share price fall this year in the face of declining profits.

Speculation that inchcape was headed for the drop had caused its share price to siump ahead of yesterday's announcement. Inchcape had fallen to 13ist in the ranking of companies by market capitalisation; a fall below 110th place normally means demotion from the

FT-SE 100. The other five changes to the leading index come as part of the quarterly review of constituents conducted by the FT-SE Actuaries UK Index Commit-

Partiy because of the National Grid demerger, two regional electricity companies. London and Midlands, will drop out of the FT-SE 100 on

The others to be demoted are

Two retailers **Burton Group** and Argos. are among the five companies to join the leading index

Arjo Wiggins Appleton, the paper company which recently announced a profits warning, De La Rue, the banknote and security printing company, which also warned of declining profits, and Sears, the retailing group which produced disappointing interim results in Sep-

Shares in all three bave fallen sharply recently. Arjo. which yesterday fell 5p to 166p, had traded at 315p in April 1994; De La Rue, down 5p at 655p yesterday, was £10.50 in March this year, and Sears, up 1p at 98.5p yesterday, was 120.5p earlier in 1995.

Two retailers, Burton Group and Argos, are among the five companies to join the leading index.

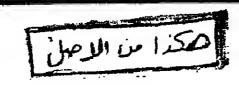
Last month, Burton, which operates retail chains such as Debenhams and Top Shop, announced more than doubled pre-tax profits. Argos, which seils via in store catalogues, bas been achieving strong

sales growth.

Also joining the FT-SE 100 are Pilkington, the St Helensbased glass manufacturer, Smiths Industries, the aerospace, medical systems and industrial group and Foreign & Colonial Investment Trust, the international fund which is widely held by private inves-

The committee also announced a reserve list of companies which will join the leading index should any constituents drop out before the hext review on March 6.

The six are Next, the clothing retailer, Mercury Asset Management, the fund management group, Dixons, the electrical retailer, Anglian Water, the privatised utility, Greenalls, the pubs group, and MEPC, the property company. Among the new entrants in the FT-SE Mid 250 Index, the market's second tier, is Cordiant, the advertising group formerly known as Saatchi &



4X/34

## WORLD NUCLEAR INDUSTRY

## Far East builds new capacity but west's commitment falters

The Chemobyl accident led to a decade-long slowdown in the industry's growth. Developing countries in the Far East are setting up new power plants but construction by developed nations is almost at a standstill, writes David Lascelles

ext April marks the tenth anniversary of the explosion at the Chernobyl nuclear power plant in Ukraine, an event which has left an indelible mark on the

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**disposals** 

nuclear power industry.

The nuclear sector is awaiting the occasion with mixed feelings. Many of its members view it with dread, knowing that it will generate huge amounts of had publicity as the media pick over the deaths and destruction it caused. Others see it positively, as an occasion to highlight the progress the industry has made since then to raise its standards and transform itself into a safe, efficient and even environmentally-friendly source of power. At the last count more than 30 countries relied on nuclear power and there are 50 nuclear stations either under construc-

tion or recently completed.

The positive message will be the harder of the two to sustain, even though the industry is naturally optimistic. Chernobyl marked the beginning of a levelling off in the develop-ment of world nuclear power. Present trends do not point to a strong upturn in future.

The ten years leading up to the disaster were the beyday of nuclear power. Its share of electricity generation trebled, from 5 per cent to 15 per cent. Since Chernobyl it has only managed a small increase, to 17.5 per cent. According to the International Atomic Energy Agency (IAEA) in Vienna the rate of growth of nuclear power output fell over the same period, from 24 per cent a year to barely 3 per cent.

Many industries would be pleased with annual growth of even 3 per cent. But compared with what went before the trend raises questions about the future direction of the

Since the accident at Cherno byl nuclear construction has

#### Ironically the work of closing down old plants safely is giving the industry a boost

largely shifted to the Far East. According to the IAEA five nuclear stations are under construction in Japan, five in India, and six in South Korea Taiwan, which is not an IAEA member, also has a big nuclear programme. The enormous potential growth of Far Eastern electricity demand is providing the nuclear power industry with a much-needed

Much of the slowdown can be blamed on public hostility, particularly in western indus trial nations where, with the notable exception of France, no new nuclear capacity is being built or is in prospect. Most countries have banned new nuclear construction or even plan the mandatory closure of plants. In the remainder the political climate would not permit new nuclear construction

There are other reasons for the slowdown. First-generation nnclear power stations built in the 1950s and 1960s are reaching the end of their lives. Plant closures are eating into capacity. That trend will accelerate over the next decade. Apart from France and the UK. where the recent completion of Sizewell B offset the loss of old magnox stations, redundant nuclear capacity is not being

Another uncertainty surrounding nuclear power is waste disposal. Traditionally spent fuel has been reprocessed into fresh fuel, with militarily-useful plutonium emerging as a by-product. But the end of the cold war has transformed the economics of nuclear fuel by producing an abundance of uranium and killing off military demand for

plutonium. The high cost and public unpopularity of reprocessing has forced the nuclear industry and governments to look for alternatives. These pressures emerged a year ago when two German nuclear utilities decided to cancel their repro-cessing contracts with British Nuclear Fuels (BNFL) and

best method of wants the presents a further problem. In the US the government is still years away from deciding on a final disposal site for spent fuel. building up at power stations. The UK government opted ear-lier this year for deep disposal of intermediate level nuclear waste. But an experimental project by Nines, the UK indus-try's waste storage arm, to

build an underground labora-tory has become bogged down in a planning inquiry.

These delays have prompted a wider debate over whether deep storage is the best answer. Alternatives such as surface storage are being con-eidered more actively as cheaper and safer, because the material can be kept under better observation.

Although the nuclear nowe generators are confident they can deal with the waste problem, the issue is increasingly controversial and threatens to become an unwanted complication. The industry is particu-larly keen to avoid further increases in its costs because of the doubts that already exist about its competitiveness, thanks to its huge waste and decommissioning liabilities.

Ironically the strongest growth area in nuclear power is now in "end-of-life" and waste management technology and consultancy. The efforts being made to strengthen eastern Europe's nuclear power plants have provided a huge boost to this side of the business. Britain's fastest growing hig exporter last year was BNFL its foreign sales nearly trebled to £45m. .

Wider acceptance of the role the nuclear industry can play in combatting s would improve its prospects As the only important energy source which does not emit the gases which cause the green-house effect it could help bring down-carbon dioxide levels in

the atmosphere.
Governments have recognised this potential but have yet to make policies conferring any advantage on nuclear power because of it. There have been only isolated moves to introduce taxes on carbon emissions from fossil fuel plants, or to devise accounting measures forcing them to "internalise" the costs they currently load on to the world

Because of this the nuclear power industry feels that it has to compete with one hand tied behind its; back. Uniquely among the big power sources nuclear is required to make provision for all its environmental costs: these are dominated hy waste disposal and

ecommissioning. Hence the industry's intense interest in the debate about global warming and the eager-ness with which it presents itself as an environmentally de-sirable option. Hence too its disappointment that the idea of a carbon tax has not caught on more widely.

The UK is about to provide a

test of the economic viability of nuclear power with its pro-posed privatisation of British Energy (see story page 3). This newly formed company com-prises the eight most modern reactors belonging to the state owned concerns Nuclear Elec-tric and Scottish Nuclear.

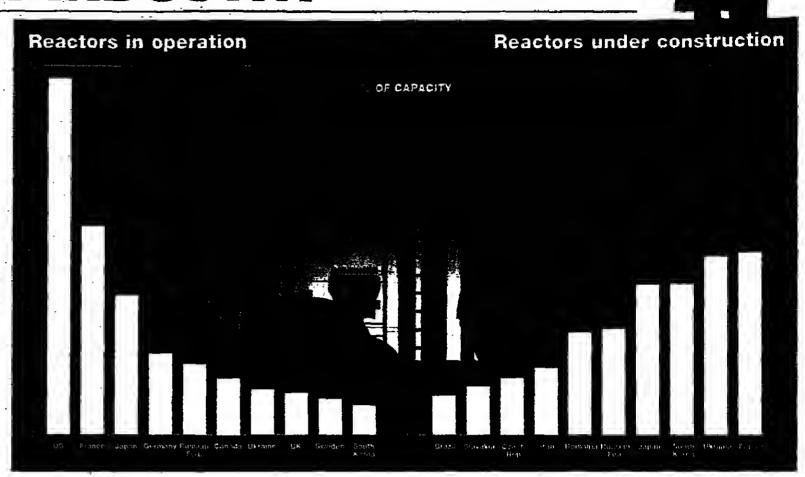
The proposed £2bn-£3bn flofinancial markets are prepared to take on these stations' liabilities, and invest in the company's prospects, something they were not willing to do when the government last tried to sell off nuclear power genera-

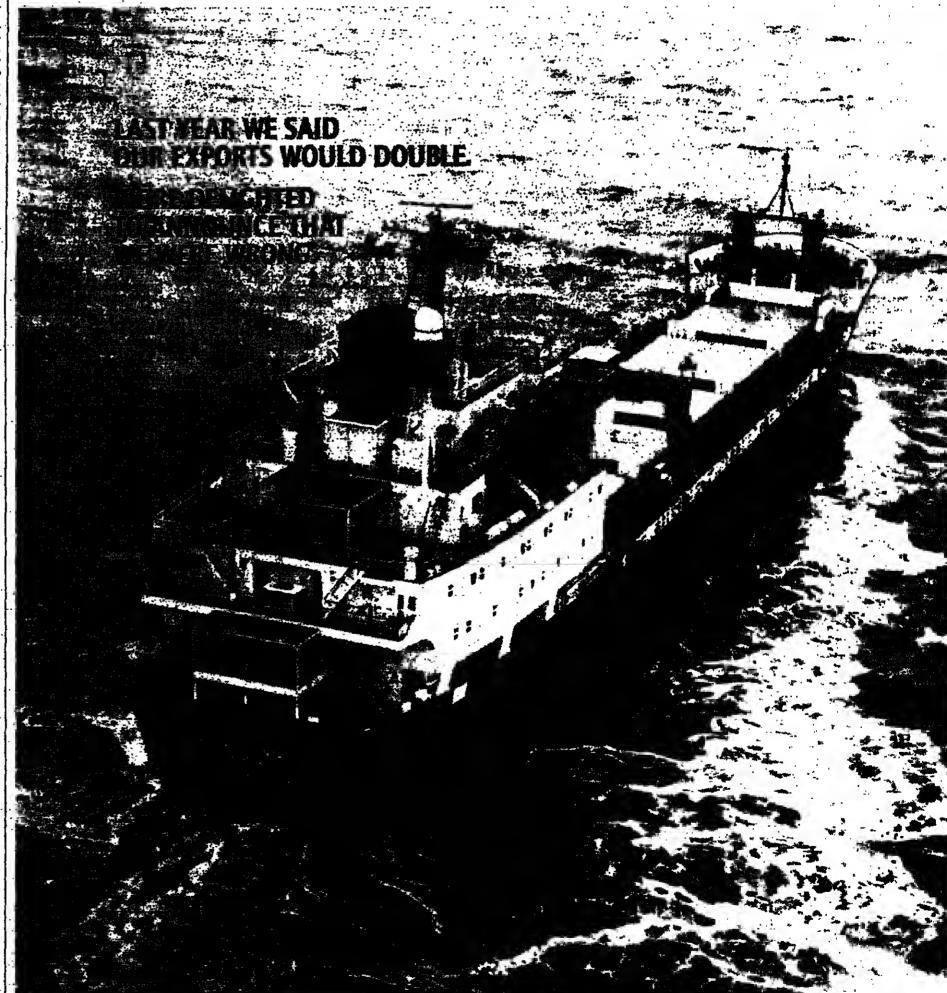
tion in 1990: The sale is still several months off but the feeling among City of London analysts is that it will succeed if the price is right. The industry has brought its costs down dramatically, shed its "boffin" image and become more bankable.

A successful sale would give nuclear power a big boost. But it will take more than that to underpin the industry's prospects. According to the IARA several developments must come together to create a rosy future for the industry: strong electricity demand, greater public acceptance and the emergence of global warming as a key determinant of energy policy. This fruitful combina-tion would produce a steady upward trend in nuclear capacwell into the second quarter

But if demand is weak, public hostility continues and global sarming fades as a policy concern the IABA thinks that nuclear capacity would start declining in 2015 when grammes are complete.

"Given these concerns. nuclear could either expand greatly or disappear com-pletely in the next decades," says Mr Michael Jefferson, director of the British Energy Association. But he adds: "With current population growth trends the world is going to need all the energy it





In the last financial year BNFL earned 1425 million in international sales.

A performance that made us the fastest growing of any of the top 100 exporters in the Financial Times Exporter Survey.

In one year BNFL leapfrogged from . 79th to 34th in the export league tables.

As the newspaper itself observed, BNFL's achievement was even more remarkable given that most of the other - fast growing exporters were foreign owned

and concentrated in the computer. telecommunications or car business.

The reasons for our outstanding performance are not hard to find. Operating as a commercial enterprise in the same way as any other private sector company, BNFL has consistently produced a profit and paid regular substantial dividends to our single shareholder, the British Government.

These dividends and the growth in shareholder's funds means that the Government's original investment in the Company has provided an average annual return of over 10% after adjusting

By operating in the same way we can continue to invest in the long-term future

For example, we have re-invested £300 million of our profits into the new MOX fuel plant at Sellafield which is expected to earn £1 billion of export orders.

Further re-investment to improve our already excellent environmental and safety performance is under way and we are poised to capture a large chunk of the valuable multi-billion pound, worldwide nuclear services market for Britain.



## French retain their faith

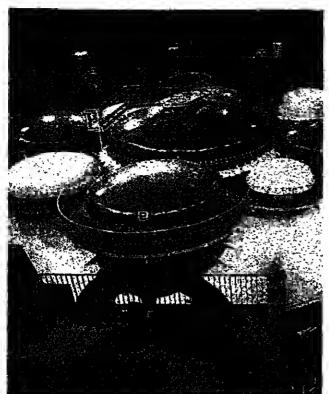
The high cost of the energy source has led most countries in the region to reject it

France is the only country in continental Europe where nuclear power enjoys strong political and public backing. It brought one new plant into operation in 1994, the Colfecb 2 pressurised water reactor, and is building four more. No other western European nation is working on new stations. The principal nuclear generating states - Belgium, Spain, Sweden and Germany - have all imposed moratoriums on building new plants

Electricité de France (EdF). the country's electricity utility. does not intend to place any more orders until plans for the next generation of reactors, the European pressurised-water reactors (EPRs) are ready. It is unlikely that any new European projects will begin until 2000. After that nuclear power's future in Europe will depend on France and Germany developing new technology without strong commercial reasons for doing so.

Building nuclear plants is expensive and slow. They are inflexible in operation and create tough waste storage problems. These characteristics are at odds with the short-term demands of a deregulated market. The impetus of European commerce is behind combinedcycle turbine technology, wbether fired by gas now or by oil derivatives and plant material like wood and paper waste

Tha nuclear industry's focus has shifted from building to maintaining plants, of which there are more than 140 in western Europe. A plant's technical costs rise steeply after 20 years in operation. This has hit the economic viability of the industry in Germany, Sweden



The reactor of France's Super Phenix power station

and Spain. The only assured growth area is in decommissigning retired plant, a market where European companies have to compete with Japanese and US firms.

The industry's strong position in France is the result of the decision in 1973 to respond to the oil crisis by increasing its energy independence through a massive nuclear programme. This has secured its place as Europe's dominant power exporter. It provides more than 75 per cent of the power generated in France. It also exports electricity to other European countries.

Next to Denmark, Edf's industrial and commercial tariffs are the lowest in Europe. Paris remains resolutely long-term in its outlook and

has maintained the company's research funding of FFr3bn (£290m) a year. This should help EdF to diversify its activities. Other European nuclear power generators may regret taking a more sbort-term approach to developing new technology.

The French government shows no sign of moderating its centralised, beavily pro-nuclear energy policy. This sum-mer industry minister Yves Galland said privatisation of Edf was "unimaginable". On the same day 70 per cent of EdF personnel supported a strike against European Commission plans for a single electricity market. The administration realises that it would be political suicide to tamper with Europe's largest public utility. Projected nuclear power

Thousands of jobs are dependent on EdF and its two main suppliars, nuclear fuel company Cogema and contractor

In addition to building France's four new plants Framatome is designing the next generation of reactors, the EPRs, in partnership with Siemens of Germany. These will replace PWRs around 2010.

German public artipathy to nuclear power is bardening into public protest. It would be no surprise if France is the only continental power developing new capacity by the turn of the century. Perhaps in recognition of this EdF has announced a joint venture with Elf Aquitaine to develop hydrocarhon-fired generation projects abroad.

Bonn maintains that Germany must have the option to build new reactors in future. Successive rounds of all-party energy talks bave failed to clarify the country's future nuclear policy. Opposition Social Democrats are strongly anti-nuclear. An nnofficial moratorium is set to continue.

The government is sticking to its principle of disposing of Germany's own waste. This is despite violent clashes between protestors and police this year at Gorleben, when containers

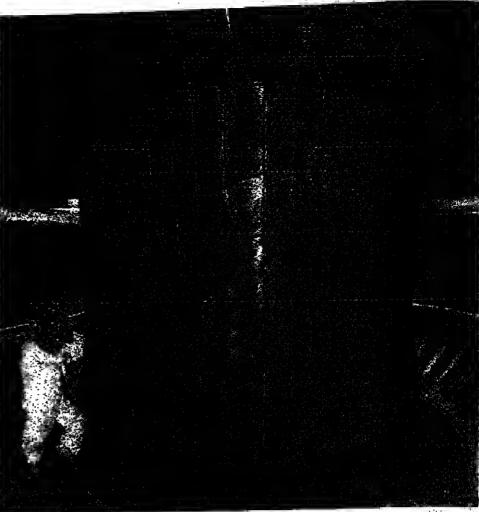
of waste were transported to intermediate storage for the first time. Twelve more transfers of waste are planned for next year, with fifteen per year thereafter until 2000. Elsewhere unclear power's

future looks even bleaker. Spain's moratorium was extended to at least 2000 in its 1991 National Energy Plan. Plants in Belgium perform consistently well, but power utility Electrabel is steadily increasing its investment in combined-cycle technology as a loog-term alternative to nuclear generation in case the 1989 nuclear moratorium should becomes permanant. Sweden is unlikely to huild new plant.

Italy abandoned unclear power following the explosion at Russia's Chernobyl plant in 1986. The energy source has made no contribution to generation since 1988.

The European nuclear indus-try has little choice in its home markets but to look after present assets and maintain an exemplary safety record. If and when demand for gas exceeds supply, it may bave a broader

Henry Edwardes-Evans is the assistant editor of the FT newsletter Power in Europe



The reaction chamber of the experimental Jet fusion reactor near Oxford in the UK

■ Technology: by Clive Cookson

## Fusion will be the next leap forward

The industry may switch straight from improved conventional plants to fusion reactors

Progress proceeds at a glacial pace in the technology at the heart of the nuclear industry: the reactors themselves. With new orders in prospect from Europe and north Amer-lca, manufacturers cannot afford to develop new reactor designs. And governments, which used to provide lavish research funds, see the sector as a politically acceptable target for budget cuts.

So research and development has concentrated for several years on improving existing reactor designs - the pressurised-water reactor (PWR) and to a lesser extent its consin the boiling water reactor. The aim is both to reduce costs by simplifying reactor designs and to improve safety by making them inherently resistant to disaster, even if operators behave with incredible stupldity or, by extraordinary bad luck, several key components fail at the same time.

The European pressurisedwater reactor (EPR) is one result of this work. It was launched in 1992 as a 50:50 Franco-German partnership between Framatome and Siemens with support from utilities in both countries. It is now entering the final phase of the basic design process. This is expected to cost about £100m and last for two to three years.

The nuclear safety authorities in France and Germany have already approved the EPR's main security features. The two manufacturers bope that their joint venture, Nuclear Power International. will receive the first orders to build and install EPRs in 1998, in time for the reactors to start operating in 2005.

There is little scope for expanding the nuclear share of alectricity production in France, where it is already 75 per cent according to the Paris-based Nuclear Energy Agency. But the first PWRs built in the early 1970s will need replacing early in the next century.

As well as the replacement PWR market in Europe Nuclear Power International hopes the EPR will win basiness in Asia, the one continent where nuclear generation shows reasonable growth pros pects. It will be competing with two advanced PWR designs being developed in the US: System 80+ from ABB Combustion Engineering and the smaller AP600 from Westinghouse. Gas-cooled reactors - the

mainstay of the British nuclear industry until it built a PWR at Sizewell B - oo longer generate new commercial orders internationally. But government-funded development of gas-cooled reactors continues in the US. Russia and China.

Construction began this year of a 10MW high temperature gas-cooled test reactor. HTR-10, at the Institute of Nuclear Energy Technology near Beijing. Its hellum coolant will be heated to 700°C at the reactor outlet in the first phase of the project and, if all goes well, to 950°C in the secood phase. These temperatures promote

efficient energy cooversion. China plans to build hightemperature gas-cooled reactors in addition to PWRs as its

nium proliferation politically nuclear programme expands early in the next century. Advocates of the technology say that the "inherent safety of these units surpasses that of

the advanced PWRs. The reactors discussed so far use "thermal" or "slow" neutrons to sustain nuclear reactions. Since tha 1950s the industry has expected to move on to fast breeder reactors - so called because they use "fast" neutrons and "breed" new nuclear fuel by converting depleted or unenriched uranium into plutonium.

Doubts about fast breeder reactors mean they are unlikely to enter service within the next 20 years

In August, Japan's new 280MW Moniu fast reactor was connected for the first time to the grid. But this landmark could not disguise general worldwide disenchantment with fast breeder technology. With conventional nuclear fuel expected to remain cheap for decades to come - and pluto-

unacceptable - there is little prospect that fast breeders will enter commercial service within 20 years.

Some experts believe that the nuclear industry may never build commercial fast reactors. Instead, it might move straight on to fusion reactors some time in the middle of the next century. These extract energy by combining light atoms rather than splitting heavy ones. The same process powers the sun and stars - and the hydrogen bomb but has not yet been tamed for use in a nuclear power station

Government support for fusion research has been suffering from budget cuts, particularly in the US. But there is still a reasonable chance that a global fusion project, the International Thermonuclear Experiment Reactor (ITER), will be built within the next 10 years. with Europe, Russia, the US and Japan jointly contributing several billion pounds of fund-

ITER would aim to demonstrate that a doughnut-shaped reacior could generate clean energy from a superheated plasma of hydrogen and deuterium, at a temperature above 100m C. If so there is a chance that the dream of the middle decades of the 20th century of clean, cheap unclear energy could come true - 100 years

We Court

#### In October the Chinese goverament confirmed it would install two 985MW Frenchbuilt, pressurised-water reactors at the site, which already Foreign

China now leads

developing Asian

increasing nuclear

France requires an export

market for its nuclear technol-

ogy. Both needs are satisfied

by a nuclear expansion project

at Daya Bay, north-east of

countries in

capacity

Hong Kong.

contractors will help China boost its nuclear capacity

has two French PWRs in place. This means that France. tbrongb reactor sopplier Framatome and Anglo-French turbines group GEC-Alsthom, is central to China's ambitious nnclear power programme.

The deal is worth FFr10bn (\$2bn), of which Framatome's share is PFr6bu and GEC-Alsthom's is FFr3bn. The balance will be made np of subcon-

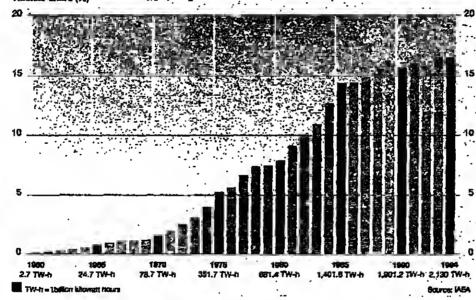
Western industry's best prospect tracts to sneb companies as Electricité de France (EdF). which will sopply staff and technical assistance.

The deal is important for several reasons: It is the only nuclear power contract awarded in Asia this year; it China wants to expand and underlines China's commitdiversify its energy sources. ment to build op nuclear capacity; and France's determination to light for power contracts.

Edf is the world's largest electric power ntility. Its total capacity is 100,000MW. With the nuclear power industry in Europe and the Americas at a virtual standstill in terms of new projects, the Asian market is vital to the exports side of France's nuclear industry.

China is the most promising customer, given the fast rate of expansion of its power sector. Government officials say that Beijing has increased its forecast for nuclear power to 20,000MW of capacity by 2020. The Daya Bay complex will bouse 3,600MW of this total. Nuclear power's share of total output will be 5 per cent of all installed capacity by then. At present most electricity is generated with coal and bydroelectric power.

Foreign companies are likely to win the bulk of the contracts to boost China's nuclear power capacity. The front runners will be Framatome and its arch-competitors. General Electric and Westinghouse of Nuclear electricity generation and share of total electrical energy



the US. Siemens of Germany and Canada's Atomic Energy. China's home-grown nuclear programme consists of a single 300MW plant now operating in Qinsban. It plans to instail two additional 600MW units there and to build a 300MW unit for export to Pakistan. China expects to build two 1.000MW units at Liaoning.

near the North Korean border.

four 1,000MW reactors at Yanglang, on the south coast west of Hong Kong; and fonr 1.000MW units at Sanmen on the south-east coast.

Indonesia bas no nuclear industry at present. It recently commissioned two consultaneles, Sargent & Lundy of the US and Newjec of Japan, to conduct final assessments of feasibility studies to start one.

**Expertise** 

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Jakarta is unlikely to decide whether to go shead with the project for at least a year. The earliest date Indonesia's first noclear plants could begin operating would be 2005. India and Pakistan's refusal to sign the Nuclear Non-Prolif-

eration Treaty denies them access to modern nuclear technology. As a result their bomegrown nuclear industries are not significant to world terms. Japan continues to set the

pace for Asla's developed countries. It has 49 reactors in operation. These can produce 38,837MW, 31 per cent of all generating capacity. A further five under construction will add 4,775MW. The Institute of Energy Economics, a Japanes research group, recommended that Japan should aim to have 75,000MW-90,000MW nuclear capacity by 2020 and 90,000MW-110,000MW by 2030.

These figures, though bigb, anderline Japan's commitment to a bigger nuclear sector. This policy is only likely to change if substantial oli and gas reserves are developed off Sakhalin Island to the north of Japan, giving the country a home grown fossil fuel supply.

South Korea also plans to expand. It has 10 reactors with 8.170MW of capacity in operatioo, a further 950MW unit nearly on line and five units under coostruction with the potential to prodoce 3,749MW etween them.

Talwan plans to install a two-reactor complex in the north part of the island. It already bas six reactors with capacity of 4,884MW in operation. Beyood the two reactors at issoe there is little prospect of the Taiwanese ouclear sector growing.

Frank Gray is editor of the FT newsletter Power in Asia

### THE BRITISH **NUCLEAR INDUSTRY FORUM**

The British Nuclear Industry Forum is an information and trade association representing over 70 companies involved in the civil nuclear industry, including BNFL, Nuclear Electric and Scottish Nuclear. The Forum provides support to all its members in the pursuit of their commercial objectives both in expansion of existing markets and in opening up new markets internationally.

The major objectives are to maintain a favourable business and npininn climate for rhe development of nuclear energy and nuclear related technology, and ro maximise competitiveness of its members in the UK and worldwide. An information and practical support service is also available to all members both generally and individually.

For further information about the British Nuclear Industry Forum and the services it offers, contact: Roger Hayes, Director General, British Nuclear Industry Forum, 22 Buckingham Gate, London SW1E 6LB. Tel: 0171-828 0116; Fax: 0171-828 0110; E-mail bnif@easynet.co.uk



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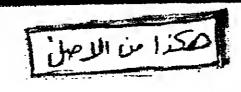
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## Sell-off faces big challenges

The government will shuffle the industry's assets to prepare it for a

UK: by David Lascelles

testing privatisation The UK has always been proud of the fact that it led the world into nuclear power generation. Now it is about to lead the world in another way: by becoming the first country to privatise its state owned nuclear power industry.
The government's sell-off

decision, announced last spring is hold and potentially controversial. It raises complex technical and financial issues. And it provides ammunition to



public concerns about safety and the huge profits made by the non-nuclear electric utilities, which have already been privatised.

Only part of the nuclear sector will be sold in the first instance

The UK industry consists of two companies, Nuclear Elections in England and Wales, and Scottish Nuclear, which has two stations in Scotland. Together, they generate about 30 per cent of the electricity consumed in the UK.

The industry is to be restructured for the sell-off. The six older magnox stations are to be hived off into a new company, Magnox Electric, which will be put under the control of Brit-ish Nuclear Fuels (BNFL), the state-owned reprocessing company. The newer advanced gas-

cooled reactor and pressurised-water reactor stations, includ-ing Sizewell B, which was only completed this year, will be put into a new company, British Energy, which will be sold (see accompanying profile).
This restructuring followed a

heated debate in which Professor Stephen Littleehild, the electricity industry regulator, tried to persuade the govern-ment to split the privatised portion of the industry into at least two units to create more competition. But the govern-ment was advised by its unechant bankers that it would get a better price by selling the industry in one many. This option proved treefstible to an administration facing a general election in the not-too-distant

The flotation, scheduled for next summer, is likely to raise between £2hn to £3hn according to power industry analysis. But a number of key points need to be resolved before it

can go shead.

One is salety. The prospects for the flotation were not sided by a \$250,000 fine imposed on Nuclear Electric in September for an accident at its Wylki sta-tion in Wales. Since then Mr Richard Killick, the featner director of safety and quality at Scottish Nuclear, has warned that privatisation would lead to lower safety

Mr Tim Eggar, the energy minister, says. There is under-standable concern about this, and I share that concern. We are not going to do anything that will imperil safety, and we have to convince investors that this will be the case."

Another question that will have to be answered before the sale can go ahead is how the industry will fund its long-term liabilities for waste disposal and decommissioning. Surprisingly the government is to phase out the 8 per cent levy. currently added to the country's electricity bills to help meet these costs. This will leave the industry short of some £2bn.

The nuclear industry's large but unquantified liabilities were the main reason the government failed to privatise the sector with the rest of the electricity industry in 1990. Since then future costs have been

investors will still need ressstrance they can be paid for. A third lesse is how the orivatisation will be marketed.

Only a big promotional effort can overcome public prejudice

Shares will be offered both domestically and internationally to institutional and private investors. Government advis-ers have warned that a big information and education drive will be needed to over-

power, particularly among retail investors. Institutional investors will probably judge the issue largely on whether the price is worth the risk. The privatisation of the two

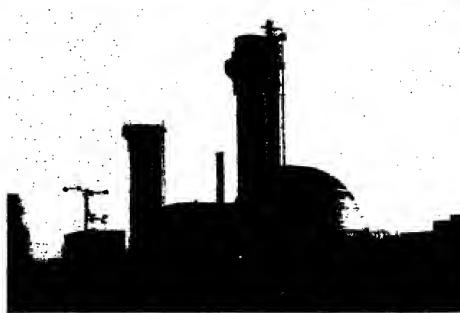
ries will overshadow the restructuring of the part of the industry that will remain in public hands, though developments here also promise to be BNFL will become the custo-

dian of the magnox stations which have an average of only seven years of active life remaining. Part of its job is to develop "end-of-life" technology: to extend the life of stations and decommission them after final closure. It is well qualified to make the most of

as a base from which to build a decommissioning business.

As the nuclear industry ages decommissioning will grow in importance. SNFL aims to become a world leader in this area, and could itself easily become a privatisation candidate later on.

Next summer the government will privatise another part of the state-owned nuclear industry - AEA Technology. the commercial arm of the for-mer Atomic Energy Authority. The company is now one of the UK's leading scientific consultancies, not just in the area of nuclear technology but also in other industrial processes.



## UK group unites early leaders

A new company called British Ruesgy will appear on the world energy scene next year as a result of the privatisation of the UK nuclear bu The company will have several claims to fame. It will

be the world's first privatised nuclear utility. It will also be the only exclusively nuclear power generation company entirely dependent on nuclear plants, though as its name implies, it aims to be more than just an operator of nuclear power stations.

"We will be a major British company," said Mr John Robb, its chairman, unveiling a plaque bearing the company name in September. "By drawing on the manage commercial and engineering skills of the two companies, we are creating a group with potential to succeed in the wider energy market." British Energy's assets will

consist of the eight modern. stations owned by the two present state-owned ompanies, Nuclear Electric and Scottish Nuclear. Seven are advanced gas cooled stations (AGRs) – five from Nuclear Electric and two from Scottish Nuclear - and one is a pressurised-water reactor, the recently-completed Sizewell B.

The new company's staff will also be drawn from its two predecessors. Dr Bob Hawley, chief executive of Nuclear Electric, will take over as chief executive of the whole group. Dr Robin Jeffrey, chief executive of Scottish Nuclear, will become deputy chairman.

Designing the new structure required some political finesse. Scottish Nuclear fought a flerce battle to remain independent - with the support of the electricity industry regulator, who believed two privatised nuclear companies would strengthen competition.

Mr Robb was appointed as a chairman from outside the industry to ensure fair play. A tall, hard-edged businessman, Mr Robb was previously chairman of Wellcome before it was taken over by rival drugs group Glaxo. The location of British Energy's beadquarters at Lochside Court on the outskirts of Edinburgh is also a goodwill

gesture to the Scottish lobby. Mr Robb's tough approach, however, did not immediately win him friends in the company, and some executives complained of

plummeting morale. British Energy will be a formidable force in the UK power generation business, with a quarter of the electricity market and a This will make it nearly as big as the present market leader, National Power. But since National Power is being ordered by the regulator to divest itself of 4,000MW of

plant, British Energy could

even emerge on top. British Energy's drive will come from the vastly changed culture of the UK nuclear power industry since the 1980s. Unsuitable for privatisation only five years ago because of their bloated costs and incalculable liabilities, the two nuclear companies are now run as hard-nosed commercial concerns. They have cut costs and raised efficiency to the point where their AGRs are

among the best nuclear

have also got to grips with the costs of waste disposal and plant decommissioning, and come up with figures which carry some credibility in the Onencial markets.

But British Energy will also For years, the state-owned companies were forbidden to sign up customers. They could only sell into the electricity pool, the wholesale market. So British Energy will be launched without a large customer base, It will also enter the private sector too late to join in the current buying spree for regional electricity companies essuming the government would allow such a large

> market clout by buying a distribution company. Bad timing will prevent British Energy from buying the coal-fired stations which PowerGen and National Power have been ordered to sell off. As a base load generator, the nuclear industry has little influence

over electricity prices: these

tend to be set by the marginal

generator to strengthen its



John Robb: erbitrating between

plant needed to match peaks in demand. But the opportunity to bid for the divested coal-fired plant will have passed by the time British Energy reaches the

private sector. The declining price of electricity in the UK will put further pressure on a nuclear ntility whose costs are fixed and which cannot benefit from the falling price of gas.

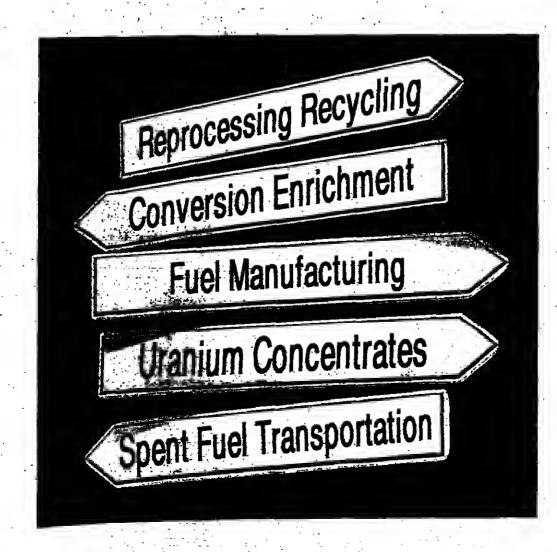
But British Energy will be able to diversify in other ways. Mr Robb says his new company will do more then run nuclear power stations. He has so far declined to be more specific. But there is speculation in the electricity industry that he will steer British Energy into gas-fired power generation. The problem is that the UK. already has surplus of generation capacity, so the opportunities for adding new plant are limited. The greatest scope will lie in replacing old plant, for example magnex stations, which will reach the end of their lives over the

next ten years. Whether British Energy would build another nuclear station is a moot point. Nuclear Electric has said it would like to build a third station at Hinckley Point. But UK public opinion might not accept an expansion of the nuclear industry. Sceptics also doubt that the huge cost of building new stations can

ever be recouped. One area British Energy is certain to cultivate is the construction of nuclear power stations in other countries. This was already a growing business for Nuclear Electric.

David Lascelles

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FORUM

Military applications: by Bronwen Maddox

## The threat of proliferation is under control

An expanding civil nuclear industry has not resulted in an increase in nuclear arms

Since its earliest days the nuclear power industry has played down its connection with the military uses of unclear fission. A reactor does not automatically provide the means to build a bomb, governments and companies committed to nuclear power have

Nonetheless there are close technological links hetweeu civil and military applications. A civil uuclear programme does enable a country to make uuclear weapous. So for five decades governments with established uuclear capabillties have been seeking ways of permitting the industry to grow without weapons proliferating too.

The most difficult step for countries which want to make a nuclear bomb is acquiring fissile material - enriched uranium or plutonium capable of sustaining a chain reaction rather than making the bomh Itself. This material does not exist naturally and manufacturing it is complex and

One solution is simply to hay it from countries which have already refined it. Since the disintegration of the Soviet Union concerns have grown that unclear material could be smuggled out of its arsenals, which at one point held more than half of the world's total of about 20,000 operational nuclear warheads. That fear bas diminished, partly because the US has given Russia millions of dollars of aid for the safe dismantling of uuclear warheads.

Attention has now returned to a second, louger-standing coucern: the possibility that countries could get euriched uranium or plutonium for milltary use from civll nuclear programmes.

Nuclear reactors generally use enriched uranium as fuel and generate plntonium as a by-product. Reprocessing old reactor fuel to extract reusable uranium also has potential military uses, as it simultaneonsly separates ont plutonium from anwanted waste

International efforts to preveut civil nuclear technology being abused for military purposes are represented in the Nuclear Non-Prollferation Treaty, extended indefinitely earlier this year. The NPT allows five countries to have nuclear weapons programmes -the US, China, the UK, France and Russia (formerly the Soviet Union). Other signa-

Under the treaty, the International Atomic Energy Agency (IAEA), the United Nations' unclear watchdog inspects the nuclear reactors of NPT signatories which have civil uuclear power but no

weapons programme.
The IAEA's ahility to detect ahuses of civil programmes has been called into question, first hy the uncovering of Iraq's weapons programme in 1991 then by suspicious that North Korea was also trying to develop its own nuclear capaclty. The IAEA argues, with some justice, that such criticism is unfair.

The North Korean government's refusal to allow IAEA inspections drew attention to military ambitions. Interuational pressure appears to have steered the government into installing "light water" reactors, which produce less weapous-grade plutoulum than conventional reactors. Iraq's grandiose attempt to

create weapons-grade fissile material from unrefined uranium, carried out entirely separately from its civil nuclear programme, is unlikely to he copied. The IAEA points out that despite anxiety about potential Middle Eastern most countries in the region lack the funds or technological hase for unclear research. Egypt, Syria, Iran and Saudi Arahia, which are signatories to the NPT, have only small. laboratory-stage programmes.

that countries like North Korea and Iraq do not represent a real threat. Growing Aslan euthusiasm for civil nuclear power may pose a greater long term challenge.

Japan provides an example: it has an extensive civil uuclear programme, with uearly 50 uuclear power plants and more on the way. It plans to produce tonnes of surplus plntouiam over the next decade hy reprocessing used fnel rods from reactor cores.

The Japanese government protests that It has no intention of using plutouinm for military purposes. But other countries, particularly the US. are concerned that these stockpiles represent a potential weapons capability which will the region's diplomacy.

Those coocerns cannot be dismissed entirely. Possession of stockpiles of fissile material equips a country to make nnclear bombs. The extension of the NPT and the willingness of nations with civil nuclear programmes to accept IAEA inspections give some comfori that this potential may nol be ■ Chernobyl: by David Lascelles

## Still a risk 10 years after the explosion

Ukraine and the West are haggling over a deal to decommission this dangerous plant

Chernobyl has a disarming look of cormality about it these days. Vehicles laden with visitors drive up to the front entrance where a vast hust of Lenin greets them with a stony stare. Staff in green uniforms move about the passages. In the background two of the four generation units whire away. supplying 5 per cent of Ukraine's electricity.

The terrain around the plant is bare of vegetation but the distant forest is slowly beginning to encroach again. The shattered Unit 4 reactor, which exploded in April 1986, is discreetly bidden within a sheet metal "sarcophagus". A visitor from Mars would not realise moch was wrong

It is deceptive of course. To get anywhere uear the plant the visitor has to drive across the barricaded 30km exclusion zone which surrounds it. The area is littered with dumps of contaminated equipment. The neighbouring town of Pripyat, where the Chernohyl workers ouce lived, is deserted, Today staff travel in hy train from a new settlement. Slavutich. 50km to the east.

Radiation levels in and around the plant have dropped to the point where non-specialist visitors are allowed in, not just oo to the site, but also into the sarcophagus to see the make the remains of the reac-

Nearly 10,000 tonnes of concrete and metal have been installed to prop up structures ruptured by the explosion. The radioactive dehris of graphite, plutonium and fission products has been shovelled back into the reactor vessel and smothered in cement, sand, lead and boron. A tunnel has been excavated under the reactor to take monitoring devices. More sensing equipment has heen installed throughout the site.

All this has been covered in

sheet metal skin to protect It from the weather and prevent the spread of contaminated dust. About 600 people are employed full time to maintain and monitor the accident aite. The sarcophagus and the structures inside it were

designed to last for 30 years. But western experts who have examined it doubt that it will hold up that long. The extra weight is straining the foundations. The sarcophagus leaks and collapse cannot be ruled out, specially if there is an earthquake, which is a strong possibility.

The wider question is what to do about the rest of the Chernohyl complex. Two of the four reactors are still in operation - the third was shut down hy a fire in 1991 hut could be restarted - providing power vital for Ukraine's starved economy and 5,000 jobs. These reactors were not upgraded to the level of other RBMK units, the old Soviet Union's standard large-capacity reactors, after

work that is being done to the disaster because it was assumed they would be shut not be safe enough to stay in operation

For several years western experts have been working on plans to shut down the whole complex and huild a lasting "tomb" for Unit 4, much of it under the EU's Technical Assistance to the Commouwealth of Independent States programme.
The UK's AEA Technology

recently completed a 1,000-page decommissioning plan for the three remaining reactors which would involve removing the fuel and coolant then plugging the reactors up and leaving them to "cool" for 100 years. This is the conventional approach for western reactors. Decommissioning Chernobyl would also entail building stores to take the huge amounts of radioactive waste geoerated by the shutdown, adding greatly to the cost.

Earlier this year, Alliance, a group of western contractors, produced a parallel proposal to replace the sarcophagus which, It said. "cannot be considered hy modern standards to provide an adequate nuclear cootainment". The Alliance plan envisages clearing the site of 350,000 cubic metres of contaminated waste and erecting a vast dome-like structure which would eccase the remains of unit 4 and also, if necessary, neighbouring buildings. This work could cost some

Mr Sergei Parashin, the managing director of Chernobyl, is

Reactor 4 at Chemobyl: it produced a poisonous cloud 90 times bigger than the Hiroshima atom bomb

determined to keep the plant going to safeguard his workers' jobs and supply badly-needed electricity. There is no justification for closing this plant," he says.

The Ukraine government in Kiev has said it would be willing to shut Chernobyl down in return for western ald, Negoti-

ations between Kiev and the West on an aid package have heeu dragging ou for years. Recent indications snegest that a deal may be in sight. It will probably involve the provision of western finance to sbut down Chernohyl and complete three half-built nuclear power stations to replace all the lost

generating capacity It would be ironic if Chernobyl, baving struggled on for ten years after the explosion, marked the anniversary hy announcing the closure of the whole plant. But such is the potency of Chernobyl's name that world public opinion may

■ Waste disposal: by Bronwen Maddox

## wants the waste

Attempts to find solutions are complicated by opposition from pressure groups

The first nuclear power stations are nearing the end of their lives. Decommissioning them will soon compound an unsettled problem: how to dispose of nuclear waste.

There is no obvious solution. Proposals vary widely and have changed radically in the past 15 years. Views on methods of permanent disposal vary so much that many governments are considering storing the waste on the surface for decades. But that may expose them and their nuclear industries to greater political pressure. Environmental campaigners see waste disposal as the industry's weakest fiank. The only point on which all countries agree is that disposal

the past few years, international treaties on marine dumping, notably the London Dumping Convention and the Paris and Oslo Conventions. have been tightened to ban the disposal of radioactive waste at sea indefinitely. As a result the disposal ques-

for the foreseeable future. In

tion has become national or regional rather than international. All the proposed methods are controversial.

Several countries with large nuclear programmes - notably the UK, France, Japan and, until last year, Germany have favoured reprocessing speni fuel rods to extract reusable uranium and to reduce the volume of unwanted waste. The process is expensive and contentious because it also produces plutonium. This is of more use in building nuclear weapons than in most civil nuclear processes

Reprocessing raises the ques

tlon of bow to dispose of remaining unusable waste. Most countries with nuclear programmes have investigated deep underground storage as a solution. in several cases such as the UK and the US governments have taken large sums of money from the industry or from electricity consumers to pay for storage, However the choice of method has so far proved more problematic than

the financing. The UK's proposed timetable for constructing a 12bn deep repository for intermediate-level nuclear waste near the Sellafield reprocessing plant in Cumbria has slipped repeatedly. The government's chief adviser on radioactive waste management has raised concerns about the geological weakness of the surrounding

rocks. Similarly the US Department of Energy has been wrestling for over a decade to design a long-term storage dump for used fuel. It has taken over \$10bu from power generators to pay for it. So far it has been unsuccessful. As the department has no authority to provide interim storage facilities. the industry has been investigating urgeot stop-gap measures, such as paying Apache tribes in New Mexico to bold the waste on their land for sev-

eral decades. In Germany a change in the law last year permitted "direct disposal" of waste without reprocessing to special stores where it can cool for several decades before finat disposal. The government and the nuclear industry has also won a decade-long battle to send

at Gorleben in Lower Saxony. But technical and political questions about long-term storage remain unresolved. . -

Japan has yet to identify a long-lerm storage site. Deliber ations on the best disposal method have been hampered by opposition from provincial governments who do not want to host research sites.

The best solution for many countries might seem to be to delay a decision until more research on permanent underground storage has been carried out. Nuclear scientists, including those at the US's Los Alamos laboratory in New Mexicu, one of the largest nuclear research institutes in the world, are also investigating whether it may eventually be possible to transform radioactive waste into non-radioac-

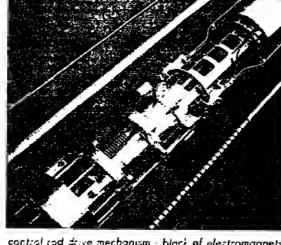
tive material. Delays may create political problems for governments and for nuclear power companies. Environmental groups in industrialised countries, particularly Greenpeace, the most international of the pressnre groups, have seized on the waste issue as the nuclear industry's weak point. In chailenging the licensing of the UK's Thorp reprocessing plant, and in its opposition to Goriebeu Greeupeace has made clear that it aims to shut the industry down.

The leverage which the issne bas given environmentalists may bring the nuclear industries of some countries to a halt by the time an answer is clear. If so countries which are only now expanding their use of ouclear power, notably in Asia, will reap the greatest

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nuclear waste to a waste dump benefits of the research. Nuclear share of electricity generation in 1994 France Bulgario

WHETEL EXCHANGE

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#### **COMMODITIES AND AGRICULTURE**

**MARKET REPORT** 

## London coffee futures dive to 19-month lows

London Commodity Exchange robusta COFFEE futures prices surrendered Tuesday's gains to slump to 19-month lows yesterday as the New York market crept towards a crucial test of

the 100 cents-a-pound mark Traders said disappointment had set in on the lack of strength in Tuesday's \$26 rally after last week's slump.

The March delivery contract last traded down \$45 at \$1,868 at tonne - the lowest close since \$1,813 on May 9, 1994 after falling earlier to \$1,862. By the London close the New York March contract had traded as low as 101.50 cents. London brokers said the selling appeared to be mostly speculative once again. More and mors potential buyers were

standing back to see what hap-

pened in New York.

"There is scale-down selling around these levels but it gets whittled away," a broker said. He noted some trade selling and "bits and pieces" of industry buying but little producer activity.

LCE COCOA future ended a lacklustre session lower but within recent trading ranges as players focused mostly on adjusting book positions. The key March delivery contract last traded down £4 at £931 a tonne.

Traders said March was stuck between recent highs and lows of £926 and £937 in the absence of fresh developments, with wider support at £920 and resistance at £950. A broker said there was little interest to test either side of the range. "I am perplexed," he

Base metal trading was less active in the afternoon session at the London Metal Exchange once December option declarations were absorbed. Volatile moves were seen, however, in COPPER, notably

nearby, which lifted the cash premium over three mouths metal to a record level near \$300 a tonne at one stage, compared with \$235 on Tuesday. "Copper has been all over the place today, what with the backwardation (cash premium) and the options declarations. But there has been good support on dips towards \$2,680 [for three months metal]" said Mr

William Adams, analyst at

LME trader Rudolf Wolff and

## Extinction looms for farm animal species

One in three of the world's domestic breeds is under threat, writes Geoff Tansey

bout one third of the world's domestic animal breeds - poultry and mammals - are in danger of extinction the UN Food and Agriculture Organisation warns. "A projected 1,200 to 1,500 of the world's 4,000 to 5,000 domestic animal genetic resources are now at risk of loss," according to the World Watch List for Domestic Animal Diversity, published this week in Rome.

Highly specialised modern livestock farming poses the greatest threat to domestic animal diversity, says the FAO, with a projected average of three breeds lost every two weeks. The rapid spread of high-input modern breeds to developing countries places most local breeds at risk. Yet in 80 per cent of the world's rural area the locally adapted animals are superior to modern breeds, according to Dr Keith Hammond, FAO expert on animal breeding and genetic resources.

He argues that "for the whole of this century we've done it [animal breeding] wrong". The concentration on developing just a few breeds in each livestock species and use of artificial insemination resulting in one male siring tens of thousands of calves may have helped increase productivity but it has greatly narrowed genetic diversity, which is needed to breed animals with different characteristics able to thrive in different conditions. Since the 1920s it has been known that the hardest characteristics to change are those to do with adaptation

to the environment. "We need to stop the rot and turn breeding around in the



next two to three decades," says an enthusiastic Dr Hammond, an Australian wbo founded and ran the Research Institute in Animal Genetics and Breeding at the University to the FAO. The need is to fit the biology to the particular environment and production system, he argues, not to produce relatively uniform animals that require high feed and management inputs every-

The biological diversity found in the genes of different breeds will be an essential resource to cope with the expected greater fluctuations in environmental conditions in future. Already breeders faced

with limited profitability from intensive pig production went to China to find the Talhu pig, which has an average litter of 16 compared with only ten from Western Breeds.

n Britain, with the move from intensive to outdoor pig rearing, breeders had to go back to earlier breeds to develop pigs able to thrive on grass. In Brazil, the Pantaneiro horse bas remarkable resistance to equins infectious anaemia - which limits the use of borses in many countries where animals are still importent for traction and transport. Although the 638 most andangered breeds are in

all breeds are threatened, and only 27 out of 396 in Africa, according to the World Watch List data for developing comtries are far from complete. greatly underestimates the animals at risk of extinction

Breeds with 1,000 or less breeding females or 20 breed-ing males are classed as endangered and those with 100 or less breeding females or five breeding males) as critical, according to FAO.

The urgent need is to manage existing animal breeds and encourage farmers to develop and use them says Dr Rammond. This must involve farmers, governments and private calla, 00100 Rome, Italy. Europe, where 43 per cent of

sector and non-governmental organisations, he believes. There should also be a fallback position with stores of frozen semen and embryos similar to the seed banks for

The launch of the current manual - which will go on the Internet in March as part of an electronic information system (DADIS) - is a contribution to the creation of a Global Programme for the Management of Farm Animal Genetic Resources as part of implementing the Convention on

Biological Diversity.

The programme includes an intergovernmental mechanism to develop policies, global country-based structures with national focal points to gather data and co-ordinate action, technical assistance, expert groups and a donor me to fund the work.

The economic costs of failing to safeguard this pool of animal genetic resources will be enormous, says Dr Hammond and the benefits of doing so are equally significant. He points to work by Professor Robert Evenson of Yals University showing that their longer term maintenance is a very lucra-

FAO says that many breeds can be lost when too much political and economic emphasis is given to one breed to the exclusion of others. "When probable production gains from exotic breeds are evaluated over complete life cycles, indigenous breeds become much more profitable", says Dr Hammond.

Price \$75, from FAO Publica-tions Viale delle Terme di Cara-

#### China invests in SA chrome mine

said. "Volume has ground to a

China has signed its biggest joint venture deal with South Africa, reports Reuters from Beijing. In a rare capital export deal it is investing US\$70m in a South African chrome mine and a planned

The contract was signed in a Beijing hotel on Tuesday by executives of China's stateowned Eastern Asia Metal Investment Company, which holds 60 per cent of the venture, and Northern Transvaal Development Corporation,

which holds 40 per cent. The venture, Asia South Africa Metals Proprietary, will take over Northern Transvaal's Dilokong chrome mine, which has annual capacity of 400,000 tonnes, and build a smelter to produce 100,000 tonnes of charge chrome a year. It will produce chrome concentrates and ferrochroms products using technology from China for sale in China, South Africa and the world market. The deal is the latest in an

unusual series of overseas COMMODITIES PRICES

investments aimed at securing supplies of raw materials that China imports in large quanti-ties, such as crude oil and aluminium. China is a major importer of chromium ore. In the first ten months of this year it took 1.08m tonnes, up from 490,000 tonnes in the same 1994 period, Chinese figures show.

South Africa ranks first in the world in chromite reserves, with its Dilokong chrome mine, in northern Soutb Africa, able to produce 400,000 tonnes a year for at least 60 years, officials say.

The deal reflects a steady warming between China and South Africa, which still lack diplomatic relations because of Pretoria's ties with Beijing's political rival, nationalist-run Taiwan. Bilateral trade is soaring towards \$1.2hn in 1995 from just \$14m in 1991, South African statistics show.

Chinese capital exports are extremely rare and such an investment in South Africa would have been impossible

during the apartheid era of white rule, when Beijing backed the disenfranchised black opposition. Under the white government, we did not have the ability to make investments like this, but now China's economy has grown so we can do so," a Chinese banker said at the contract

"But we remain a capital-importing country and there is a limit as to how much capital we can export," he added. At the signing, Mr N. Ramathlodi, premier of North-ern Province, formed out of part of the Northern Transvaal, said the venture would help both countries, supplying badly needed chrome to China and creating 700 jobs in South

Northern province produces 26.3 per cent of South Africa's mining output and provides an ideal strategic location for Chinese companies to expand into the growing markets of South Africa, Botswana, Zimbabwe and Mozambiqoe, be said.

## Milk Marque plans to offer forward supply contracts

MEAT AND LIVESTOCK

GRAINS AND OIL SEEDS

Milk Marque, the independent farmers' co-operative that took over the marketing functions of Britain's Milk Marketing Boards, is for the first time to

offer customers the opportunity to make forward milk supply contracts. "A number of our customers were concerned about lack of continuity at the end of a contract term," explained chief

executive Mr Andrew Dare, "Initially most of our milk was sold on annual contracts which led to a 'cliff edge' as all contracts expired at the same." "Last summer we introduced

12- and 18-month terms. a range of contract lengths to

"Now we are planning further improvements . . particularly in the introduction of forward contract milk. As soon ward supplies, Mr Dare said.

overcome this uncertainty - as the sale of contracts starting customers had a choice of six-, April 1, 1996 is complete, we will offer forward contracts for delivery from October 1, 1996. The move gave customers

COMMODIT	ES PRICE	•			_	_		_	-
BASE META	LS		Prec	ious	Met	als d	conti	nue	ż
LONDON ME	TAL EXCH	ANGE	m gol	D COM	EX (100	Τισγ α	ti \$/tro	y (0Z.)	
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~	Cont	3 mile	Feli	390.3	+1.6	391.5	388.7	20,989	54,027
Close Previous	1636-37 1639.5-40.5	1674-75 1677-78	Jan Jan	392.3	+1.5	393.5 396.0	391.2		14,402 20,889
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Close Previous	1400-10 1400-10	1440-45	Oct	418.3	-1.3 -0.7	418.0 418.0	419.0	12	1,709 845
High/low	1405 1402-5	1448/1435	Jan Total	419.3	-0.7	-	-	1 000	22.328
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High/low AM Official	750/749 748-49	729/724 726-27	Dec	522.5	+22	524.0	520.5	1,166	159
Kerb close		727-27.5	Jan	523.9	+23	-	516.0	1	45
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M MICKEL (S per to	-			538.7	+23	541 D	537.0 542.5	120	6,835
Close	7965-75	8090-100	Sap Total	543.0	+23	543.0	3423	1(13 25,976	8,501 96,634
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Kerts close Open int.	80.571	1036.5-7 5	Jun	17.59	+0.07	17 60	17 43 17 09		58,610
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n Gold Landing Plates (Vs US\$)

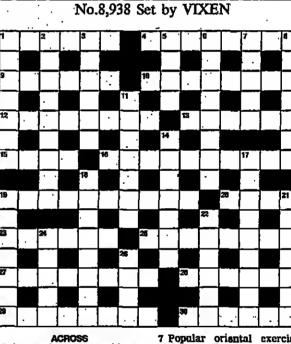
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	-	charge		Lew	Val	1	Total	YABEAN	MEAL	CRT II	OO brons		<b>55,167</b>	Tytol	11.10	-	
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	16.97	+0.03	16.97	16.84	2,258	20,620	Jan	222.9	+27	223.2	220.3	17,332	39,070	Mar	351.8	-1.7	
	16.72 16.57	-	16.74 16.57	16.65 16.54	1,042		Har	225.5	+25 +23	225.8 224.5	223.3	7,327	49,571 11,086	May June	341.4 331.7	-1.6 -23	
	15.44	-	16.47	16.43	302 27,215	9.607 46.790		223.8	+1.7	223.8	272.0		10,331	Dec	301.7 297.0	-10 -27	
HIE	ATING O	EL HYDE	X (42,00	O US gal			Airy Total	222.0	+1.5	222.0	220.5	37,305		Mar	294.3	-30	
	Legant	Day's				Open		TATOES	LCE (E)	(orane)				Total	AR 41' C	SCE II	
	price	-	Mgh	Lev	Wel	let	Mar Apr	270.0 268.0	+0.5	269.5	254.9	និ	1,204	Mar	11 32	+0 03	
	54.60 53.00	+0.38 +0.28	54.75 54 10			48,673 33,513	May	300.0	+25	-	-	-	0	May	10.91	-0.07	
'	52.45 50.60	-0.23 -0.13	52.60	52.10 57.35		14,472 4,850	Jun Total	325.0	•	-	-	ō	1,212	0=	18.39 10.18	-0.03	
,	49.05	+0 06	46 10	46.90	1,107	6.141	a FRG	осит (в	FFEQ	LCE A	10/index	( point)		Mar Play	10.01 10.01	-0.02 +0.06	
	48.55	+0 00	48.65	48.40		8,821 131,196	Dec	1585	+16	1585	1585	34	223	Total	10-2-		
ZAS	S OIL, PE	<b>5/1049</b>	•		•	•	Jan Apr	1540 1930	+5	1540 1530	1515 1515	154 29	1,444	E COT	TON NY	_	į
_		Day's				Open	Jel	1355	+5	1365	1345	12	587	Dec Mar	86,00. 84 00		
		-0.25		Low 167.25	Vel 5 251	(et 20,491	Oct.	1465 1465	+5	1465	1465	11 	165 21	May	64.40	-1 02	
	163.75	-025	164 00	162.50	0.969	32,319	Total	Close	-			384	3,482	Qel.	84.18 80.49		
		+050				11,056 5,673	er.		1815					Dec Total	78.00		
	156.25	+1.00	156.25	156.00	246	1,991									NGE JU	CE NY	c
	154.25	+0.25	153.75	153.75		1,168 84,523								Jan .	127.15	_	-
NA.	TURAL (	LAS NYT	NEX (10,0	100 mark		-	eme	ES DAT						Mar	130.15		
	Legant	Day's				Opes		res deta		d by (	CMS.			Jel Jel	132.65 134.90	+0.40	1
		change			West.	int								Sup Her	136.90 135.65	+030	1
		+0.009 +0.015												Total	133.63	70.40	1
	1.935	+0.027	1_940	1.905	6,171	17,831		end Se e from i		Group	: USS	s tonne	L Mar				
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		-0.013			846	6,798	MEP	red (rous 26/28	000,E	CFR/F(	OT ME	- SU	opies i	Contra	CME at	ed on	
i I ===	LEADED	A	1 2047		64 <b>/08</b>	150,672	now	ERIVING S NPSSF	in Euro	106. U	S atmo	nds ish	election	""			•
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					19,155	66,179	] "						-	Dec	\$ 1	Dec 4	_
														193.2	rt 1	91.21	

2045 1982 2347 15,311 1930 1962 1,401 10,014 1880 1795 148 4,187 1815 1765 82 2,985 1740 1727 15 725 1770 1720 13 192 108.25 105.00 90 685 105.40 101.25 4,062 19,010 104.05 100.00 810 3,486 103.60 100.50 237 1,074 102.00 98.00 78 568 103.25 98.00 78 558 Pres. day 104.58 114.75 . 351 0 3500 341,3 339 0 3208 330,0 3626 332,0 298,5 235,2 294,3 294,0 285 14,391 121 6,425 52 2,783 17 3,162 32 1,802 18 285 463 29,736 1140 11:23 6,023 86,614 10:99 10:89 1,064 24,988 10:48 10:33 763 15,976 10:30 10:17 318 18,112 10:10 10:00 72 10,667 10:01 9:00 33 1,395 4,200 768,201 87.00 86.00 778 1,042 98.25 84.00 3,848 25,568 85.80 84.20 383 9,483 85.50 84.10 144 6,810 85.90 81.10 194 1,507 78.25 77.50 929 8,488 8,448 52,886 CE (15,000lbs; cents/lbs) 127.25 125.80 721 17,869 130.20 126.90 251 5,752 122.90 122.00 74 1,492 134.80 134.05 27 873 136.60 136.90 89 808 135.00 135.00 00 450 2134.6 2177.6





**CROSSWORD** 

(7)
14 Such cricketers turn pink, 18 Rest badly – the home is most grim (8)

19 In the prescribed procedure airmen make answer (7)

21 Head copper about to resign

come to a stop (8)

27 He risked possibly getting called out (8)

28 Likely to be competent after 51 (6)

29 Builders in secret or otherwise (8)

30 To part with a note is almost

1 Elderly lady in complete flutter (7) 2 Make a song about transport 3 Seas do get rough on the Rus-

6 Breakfast in gaol? (8)

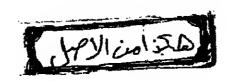
its great courage (5)
26 Fit up with a churlish individual (4)

8 Undergo treatment - make

22 A way to go on setting the pace (6) 24 A pensioner very often exhib-

**JOTTER PAD** 

Stuck? Try this one A seven letter word for electrical savings.



#### INTERNATIONAL CAPITAL MARKETS

## Treasuries soar to best level for two years

By Lisa Bransten in New York and Antonia Sharpe in London

The long-bond yield moved decisively below 6 per cent for the first time in two years early vesterday as the market continued to focus on aigns that the economy has fallen off the strong growth pace seen

Near midday, the 30-year Treasury was up % at 112% to yield 5.983 per cent. Although the long bond yield moved through 6 per cent on Monday and Tuesday, it did not remain at that level for more than a few minutes. The long bond has not ended the day in New York below 6 per cent since October 29 1993.

At the short end of the spectrum, the two-year note added i at 100 i yielding 5.273 per Sparking yesterday's rally

By Conner Middelmann

The European Bank for

Reconstruction and Devalop-

ment yesterday took advantage

of favourable arbitrage oppor-

tunities in the fledgling Czech

koruna market to issue

"We were able to swap the

proceeds into floating-rate dol-

lars at a very attractive, deep sub-Libor level," said Mr Mar-

cus Fedder, the EBRD's deputy

The EBRD plans to return to

the koruna sector on a more regular basis, to take advan-

tage of attractive arbitrage or

to raise funds for on-lending

for projects in the Czech

Lead manager Merrill Lynch

reported strong demand from

European institutional inves-

tors, especially in Germany.

Republic, Mr Fedder said.

Kčl.5bu of one-year bonds.

INTERNATIONAL

**BONDS** 

was a weaker-than-expected index of leading economic indicators. The Commerce Department said the index fell 0.5 per cent in October led by a 0.37 per cent decline in the sensitive materials prices compo-

hopes that the Federal Reserve would lower interest rates either this month or next

The market ignored a 2.7 per cent increase in October construction spending as economists wrote it off as a one-time jump and not the beginning of increased activity in the hous-

■ European government bond markets were led higher by strong US treasuries and fur-ther reports that US hedge funds were buying once again. In the UK, gilts fell back

from funds that can take Czech

koruna and are looking for

high yield and a stable cur-

rency," said a syndicate offi-cial. The paper offers a yield

pick-up of some 600 basis

points over comparable domes-

In the dollar sector, Société

des Ciments Libanais, Leba-

non's largest private-sector

industrial company, issued the country's first corporate bond,

\$50m of seven-year bonds

which amortise after 41/2 years

to generate an average life of

per cent subsidiary of Holder-

bank, the Swiss cement pro-

ducer, was one of the reasons

for the issue's success, lead manager SBC Warburg said.

About a third of the deal went

into institutional accounts,

with the rest placed among

European investors. The South African rand sec-

tor saw more supply: R250m of

five-year bonds for Rabobank

Nederland via Hambros Bank

The fact that SCL is a 51.75

tic instruments.

temporarily on news that the £3bn auction of 7.5 per cent gilts due 3006 was covered only 1.12 times and that the tail the difference between the highest and the average accepted vield - was 11 basis points, the longest tail since an auction in January 1988. However, domestic buying of

GOVERNMENT **BONDS** 

gilts, weak manufacturing output data and the US rally pul-led gilts higher for the rest of the day. On Liffe, the March long gilt future traded between a low of 109% and a high of 111 before settling at 110 in the late afternoon, in volume of more than 100,000 contracts. double Tuesday's volume. The yield spread over Germany narrowed in by 5 basis points

EBRD moves into fledgling Czech koruna sector

US DOLLARS Soc. des Ciments Libanaie(a

CANADIAN DOLLARS

LUXEMBOURG FRANCS

SOUTH AFRICAN RAND Rabobank Nederland

Morgan Grenfell.

CZECH KORUNA

nce for Danish Industry

ler-Benz's recent five-year

issue to R250m, via Deutsche

Another unusual offering

came from the Republic of

Argentina, which tapped the

Yesterday's auction fulfilled the Bank's obligation to raise funds in the seven to 15-year area of the yield curve, said Mr Don Smith, UK economist at

the Bank needed to raisa another £10bn before the end of the financial year. He expected the Bank to raise £5%bn through two auctions of short-dated gilts and £3bn in long-dated gilts. The remainder would be achieved through tap sales of index-

HSBC Markets. He added that

■ French government bonds were boosted by a report, later denied, that a link between the French franc and the D-Mark would be announced at the Franco-German summit. Even after the report was dismissed, the market remained buoyant

as worries about the atrikes

**NEW INTERNATIONAL BOND ISSUES** 

102.30 102.85 102.25 102.35

100.70

via Creditanstalt.

Final terms, non-callable unless stated, Yield spread (over relevant government bond) at launch supplied by lead manage ISSemi-annual coupon. R: fixed re-offer price; fees shown at re-offer level, a) Amortises in six semi-annual lestellments from July 2001 b) Funglible with DM500m. Plus 20 days accrued. I) Over interpolated yield, I) Long 1st coupon, a) Short 1st coupon.

Sch500m of 8.5 per cent three-year bonds, yielding 389 basis

points over government bonds,

· Moody's has placed the

100.00R Dec.1996 0.25R

10.00

over Germany came in to 77 basis points from 80 basis points.

Ms Phyllic Reed, European bond strategist at BZW, said the market was also firm on the outside chance that the Bank of France would lower its 6.1 per cent five-to-10 day intervention rate by up to 20 basis points after its meeting today. On the Matif, the December 10-year future rose 0.38 to 120.22 in volume of 165,348 contracts, off a contract high of

■ Italian government bonds soared by nearly 2 points on news of a government amendto scrap withholding tax for non-residents. The amendment means that US and Japanese investors would no longer be

Merrill Lynch International

rated Bavarian bank, under

review for possible downgrade. The review will assess how its

intention to acquire US broker-

dealer Oppenheimer fits into

the bank's growth and develop-

FT-ACTUARIES FIXED INTEREST INDICES

123.83

Wed Dey's Tue Dec 6 change % Dec 5

123.59

+0.20

ment strategy, Moody's said.

1 Up to 5 years (22)

#### CFTC chief | Funds 'need to quits to be regulator of NASD

By Laurie Morse in Chicago

Ms Mary Schapiro, chair-woman of the US Commodity Futures Trading Commission has resigned from ber \$125,000 a year post, effective January 26, and has agreed to head the newly-created regulatory unit of the National Association of

Securities Dealers.

Ms Schapiro had been asked to take the NASD enforcement job more than a month ago. The CFTC is the chief deriva-tives regulator in the US. The 40-year-old Ms Schapiro took the helm of the CFTC in October 1994, and quickly raised the profile of the agency in the world financial community.

In addition to improving the CFTC's enforcement operations, Ms Schapiro took an active role in co-ordinating a global regulatory response to the Barings crisis last Feb-ruary, and played a valuable advisory role as one of four members of the President's Working Group on financial

Ms Schapiro served seven years as a commissioner of the securities and Exchange Commission before taking leader-ship of the CFTC. Washington officials said it was not surprising that she was offered the NASD enforcement post, given ber bipartisan support in Congress and her reputation as a fair and efficient reg-

The futures community regards ber departure as a blow. "The CFTC needs someone who can sit down with the other members of the President's Working Group on equal footing, and who can also go to Congress and calmly and professionally explain the agency's needs," said Mr John Damgard, president of the Futures Industry Association, "That kind of talent is hard to

9.72 5 vrs

## revise investment in telecoms sector'

Fund managers will have to revise radically their approach to investment in the telecommunications sector if the chal-lenges of the immediate future are to be met, a leading corporate financier said yesterday. Mr Trevor Nash, head of BZW's telecoms advisory group, told a Financial Times conference that tha cost of funding the industry's planned investment programme worldwide amounted to about \$1,000bn, excluding the cost of payments for licence fees. "Of the total, more than half

is in emerging markets and more than 70 per cent is in basic telephone services," Mr Nash said. It would prove, he said, "a

challenging but not insur-mountable task", pointing out that the industry's traditional source of finance is its own

retained earnings. He calculated that developed markets would require \$420bn between 1996 and 2000, which could be met from estimated available cash flows of \$460bn. Emerging markets, however, would require \$520bn with availabla cash flows of only \$280bn, leaving a shortfall of \$250bn over the period.

He poured cold water on

industry claims that it was a successful and eignificant raiser of equity finance, pointing out that most of the \$60bn raised since 1991 came from selling existing telecoms assets such as the privatisation of British Telecommunications.

"It is clear," Mr Nash said, "that capital market activity needs to be on a substantially larger scale and carried out in a substantially different way than before."

Investors would have to learn to balance new combinations of risk - developed markets versus emerging markets,



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2.12

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THE RESERVE THE PARTY OF THE PA

ANGE CROSS RAPPES

in Fundamentals

Trevor Nash: activity needs to be on a much larger scale

for example, or fixed wire versus wireless. 'it may seem that the needs

of the developed world are currently baing serviced adequately by existing means of finance but we should not be lulled into believing, as operators, financiers and investors, that we will be able to cope with the next wave of devalopment without considerable flexibility and innovation," Mr Nash added.

Mr Laurence Heyworth, telecoms analyst at Fleminga Research, told the conference that about \$800bn would be needed in developed markets over the next few years to fund the universal provision of advanced interactive and

mobile services. He said the money would be available, perhaps more than enough, but added a caveat: The structure of the telecoms industry will need to change fundamentally in the process. In particular, the telecoms operator as a corporate and financing vehicle will become obsolete. The industry will progressively fragment along lines of capital intensity and new, aggressive stockmarket vehicles will emerge".

- Low coupon yield - - Medium coupon yield - - High coupon yield -Dec 6 Dec 5 Yr. ago Dec 6 Dec 5 Yr. ago Dec 6 Dec 5 Yr. ago

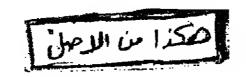
8.95 2.56 6.89 8.94 8.56 6.95 7.02 2.74

#### long-term ratings of Bayer-ische Vereinsbank, the triple-A "We've seen a lot of interest and a R100m increase of Daim-Austrian schilling market for WORLD BOND PRICES BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% BENCHMARK GOVERNMENT BONDS Coupon Date Feb +0.360 6.49 6.66 6.95 +0.400 6.67 274 7.02 +0.360 7.11 7.26 7.94 +0.360 7.28 7.34 7.85 +0.290 6.00 211 6.67 +0.420 881 6.95 7.33 +0.090 6.04 6.23 6.48 +0.550 7.95 7.54 213 +1.750 10.87† 11.16 11.82 +0.110 1.98 1.26 1.57 +0.290 2.67 2.63 2.84 +0.100 2.66 6.23 6.53 07/05 95.6500 11/05 100.0800 03/05 96.7900 12/05 111.6000 03/06 105.0600 04/00 105.5000 10/05 103.2900 10/04 92.9500 08/05 97.7500 08/00 120.2480 08/04 113.7150 11/05 104.9600 0,36 0.64 1.17 0.95 0.78 M NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFTE) Lira 200m 100ths of 100% Est. vol Open Open Sett price Change +1.98 +1.96 104.05 106.20 106.24 104.01 60183 104,8600 109,4000 0,0000 84,3260 105-04 107-27 111-27 101-28 112-09 102,7100 +0.100 +0.050 -+0.280 +10/32 +22/32 +27/32 +18/32 +15/32 +0.020 11/05 02/05 01/06 02/05 12/00 12/05 10/08 11/05 08/25 04/05 10.29 10.29 8.74 6.95 7.59 7.72 5.87 6.23 7.17 10.23 0.00 8.53 6.77 7.37 7.54 5.63 5.98 7.09 11.27 10.92 6.21 7.46 8.06 8.17 6.11 6.43 7.68 Strike Price 10600 10650 10700 Open Sett price Change 92.96 93.01 +0.12 92.92 92.70 +0.16 High 93.16 92.92 Low 92.50 Dec Mar UK Treasury Bills and Bond Yields 5.63 5.50 5.46 5.40 5.32 +0-27 +0-29 ■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% Jun 1-60 1-34 1-11 Feb 1-15 1-50 2-29 **BOND FUTURES AND OPTIONS** Est. vol. Open int. 180,669 82,590 25,035 35,070 61 3,950 High 90.86 89.68 116.62 1,867 112 LONG TERM FRENCH BOND OPTIONS (MATIF) +0-31 +0-28 +0-30 Est. vol Open int. 19333 18366 174328 177748 UK GILTS PRICES 7.33 130½ 7.37 130½ 7.39 100∰ 7.45 102½ 7.43 103∰ 7.29 124⅓ 7.29 137∰ 7.30 137∰ 7.30 137∰ 7.31 11∰ 7.37 103⅓ Frees 121202 2003-5 ... 1rees 121202 2003-5 ... 1rees 12120 2003-5 ... 1rees 12120 2003-1 ... 1rees 12120 2007-7 ... 1rees 12120 2004-8 ... 1rees 2004-8 ... 1rees 2003-8 ... 1rees 2004-8 ... 1rees 2003-8 ... 1rees 2004-8 ... 1rees 2004-8 ... 1rees 2004-8 ... 1rees 2004-8 ... +\(\frac{1302}{1302}\) 119\(\frac{1}{2}\) +\(\frac{1}{2}\) 107\(\frac{1}{2}\) 97\(\frac{1}{2}\) +\(\frac{1}{2}\) 1002\(\frac{1}{2}\) 93\(\frac{1}{2}\) +\(\frac{1}{2}\) 102\(\frac{1}{2}\) 23\(\frac{1}{2}\) +\(\frac{1}{2}\) 107\(\frac{1}{2}\) 113\(\frac{1}{2}\) +\(\frac{1}{2}\) 107\(\frac{1}{2}\) 128\(\frac{1}{2}\) +\(\frac{1}{2}\) 107\(\frac{1}{2}\) 111\(\frac{1}{2}\) 107\(\frac{1}{2}\) +\(\frac{1}{2}\) 103\(\frac{1}{2}\) 34 9.58 7.88 7.44 7.59 7.70 9.45 7.89 6.79 8.04 7.74 6.18 1007, 6.28 1007, 6.21 1007, 6.21 1007, 6.14 1007, 6.14 107, 6.14 107, 6.22 11543 6.22 1007, 6.24 1007, 6.24 1007, 6.25 1007, 6. - 105% - 105% - 105% - 105% - 1056 -Over Filters Years 1ress 0 1/4pc 2010...... Conv 9pc Le 2011 ‡‡..... 1ress 9pc 2012‡‡..... Tress 5½pc 2008-12‡‡.... 10.51 9.39 6.12 9.14 8.31 10.40 7.12 763 871 8.00 7.62 1121 7.98 7.62 1121 668 7.33 824 7.71 7.82 1035 7.66 7.63 1005 7.66 7.59 104 7.84 7.84 1111 647 7.70 141 847 7.70 141 848 7.70 141 +12 072 793 -14 1122 1015 +15 1123 1025 +15 1023 774 +14 1093 993 +14 1042 993 -14 1175 1003 +15 1115 1003 +15 1412 127, Other Fixed Interest 8pc 2015 \_\_\_\_\_ Trees 84-pt 2017;;; \_\_\_\_ Each 12pc 2013-17 \_\_\_\_ 11634 1264 1064 106 1107 1515 136 404; 344; 1224; 1424 1374; 123 077 105 3-4 6.91 1134 6.96 1003 7.12 1134 7.17 104 5-4 7.27 1184 7.27 1184 7.37 1184 7.37 86 7.41 1137 사 105% 사 113% 사 100% 사 113% 사 116% 사 116% 사 115% 사 115% 사 115% 사 115% 96% 104% 90% 103% 105% 106% 106% 100% 103%

50/2 45/2 61/4 37 ½ 32/4

7.95 7.68 5.72 007 7.71 6.05

	1 Up to 5 years (22) 2 5-15 years (22) 3 Over 15 years (6) 4 Irredeemables (6) 5 All stocks (56)	123. 150. 168. 193. 145.	.88 .88 29	+0.20 +0.67 +1.17 +0.82 +0.63	7	123.59 149.88 167.91 191.72 145.15	2.48 1.78 1.82 1.23 2.06	9.72 11.73 13.13 13.71 11,34	5 yrs 15 yrs 20 yrs Irred.†		6,85 7,56 7,62 7,77	6.95 7.66 7.74 7.84	6 6	156 6.89 1.43 7.59 1.38 7.65 1.43	8.94 7.71 7.77	8,56 8,57 6,57	6.95 7.67 7.73	7.02 7.78 7.82	874 6,78 867	*
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	6 Up to 5 years (1) 7 Over 5 years (11) 6 All stocks (12)	195, 190, 190,	42	+0.01 +0,41 +0,41	3	195,28 189,61 189,60	0.99 1.40 1,39	8.37 4.45 4.54	Up to Over t		2.	73	2.73 3.51	4.07 3.90	1	1.60 1.	5 <b>9</b> 2			•
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	Listed are the latest international lists			hich the Offer			te secondary mark	et. Leinst	prions at fosued				r 6 Yield			Issued	Bid	Offer C	bg. Yiek	
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## D-Mark retreats as French franc rallies further

#### By Graham Bowley

Party Int Talbert 1985

The D-Mark weakened on the foreign exchanges yesterday on the back of weak German economic data and after a newspaper-report that the German more closely to the French

The report, which suggested that Mr Jacques Chirac, the French President, and Mr Helmut Kohl, the German chancellor, might announce a move to. narrower currency bands at their summit in Germany today, was later denied by the French and German finance

But the report undermined the D-Mark and supported the franc. The French currency was also lifted by growing mar-ket confidence that the French government would be success

Mr Paul Chertkow, head of global currency strategy at UBS in London, said: The res-

EXCHANGE CROSS RATES

olution of the French government [to proceed with the reforms] has caused a large more into the French franc." He said that market speculation over the closer pegging of the German and French cur-

rencles had "simply reinforced fine general move out of the D-Mark into the French franc". The D-Mark also suffered against the Rulian lira, which rallied strongly after the Ital-ian finance ministry issued a draft budget amendment to scrap withholding tax on gov-

ernment bonds for all non-resi-dent investors. Sterling and the US dollar

benefited from the D-Mark's

through DM1.44, which was seen by analysis as a techni-

cally important level, to finish

the previous close. Against the yen, the dollar closed at Y101.440 from Y101.425. The tranc finished in London at FF13.444 against the D-Mark. from FF13.454.

at DMI 4432 from DMI 4363 at

Pibor short-term interest rate futures, which had rallied sharply in recent sessions on renewed confidence in the gov-ernment's policies, failed to tay.
The March contract closed

The main catalyst for the

D-Mark's decline was economic data showing a dip in German that German interest rates would be cut soon. This was

despite the fact that the German repo rate was left unchanged at 3.98 per cent at the Bundesbank's money market operations. Mr Avinash Persaud, cur-

The expectation of lower German interest rates buoyed German and other European

in London, said: "The market

is expecting German rates to remain low and to fall further.

This has increased investor appetite for high-yielding bonds and currencies and for

D-Mark. The lira finished at L1105 against the D-Mark, from 1.1112

M Dealers and currency analysts reacted with scepticism to the speculation of closer peg-ging of the French and German currencies. They said there was likely to be little truth habited the reserve behind the report. It seems more like wishful

thinking on the part of Paris than a realistic objective," said Mr Persand. Mr Malcolm Barr, international economist at Chemical Bank in London, said: "The

market remains aceptical because even if the authorities wanted to achieve it, it is very difficult to see how they would go about it operationally in the

But he said the report did contain "two grains of truth" the French and German governments were moving

underpinned the strength of towards a more common posi-the pound, the Spanish pesets and the Italian lira against the towards closer co-ordination. tion on economic policy and towards closer co-ordination. growing pressure to keep the exchange rate stable in order to meet the Meastricht criteria for monetary union, he added.

> Duta showing a drop in UK industrial production in October had little impact on sterling although economists said it increesed the likelihood of a cut in UK interest rates.

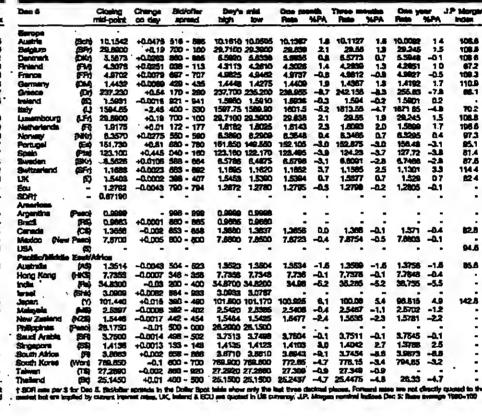
The pound closed in London almost unchanged against the dollar at \$1.5405, from \$1.5405. it gained more ground against the D-Mark, finishing at starting trade weighted index finished at \$2.9, from \$2.8.

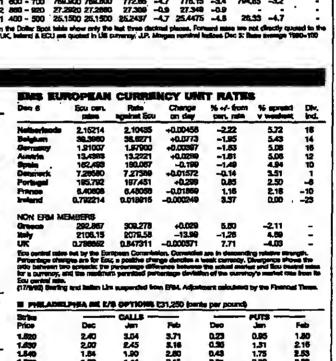
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	Open	Sett price	Change	High	Low	Est. voi	Open in
Dec	93.53	83.55	+0.02	93.57	99.53	8465	75826
Mar	PS.51	95.87	+0.04	93.57	93.80	17018	22700
Jan	95,54	93.00	+0.03	\$4,00	93.93	10197	81700
Sep Dac	23,23	93.99	+0.05	93,99		5874	
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# There's a hedge around Europe.

LIFFE's Three Month ECU Future. The European hedge.

On 20 June 1995 LIFFE's Designated Market Maker scheme for the Three Month ECU Future was renewed until 18 December 1995, and two additional delivery months were introduced.

Now established as the world's leading ECU money market derivatives Exchange, LIFFE continues to offer a solid hedge value with the flexibility and liquidity you need. With eight delivery mouths and five committed market makers, this is one hedge with strong roots.

For full details on LIFFE's Three Month ECU Future and its new Designated Market Makers scheme. please contact Marco Bianchi (Tel. +44 171 379 2762) or E-mail: advertising.info@liffe.com at LIFFE.

#### LIFFE's Three Month ECU **Designated Market Makers**

HSBC Futures, a division of Midland Bank pic (acting on behalf of Midland Bank plc)

Istituto Bancario San Paolo di Torino S.p.A

Kredietbank N.V.

NatWest Futures Limited

UBS Futures & Options Limited

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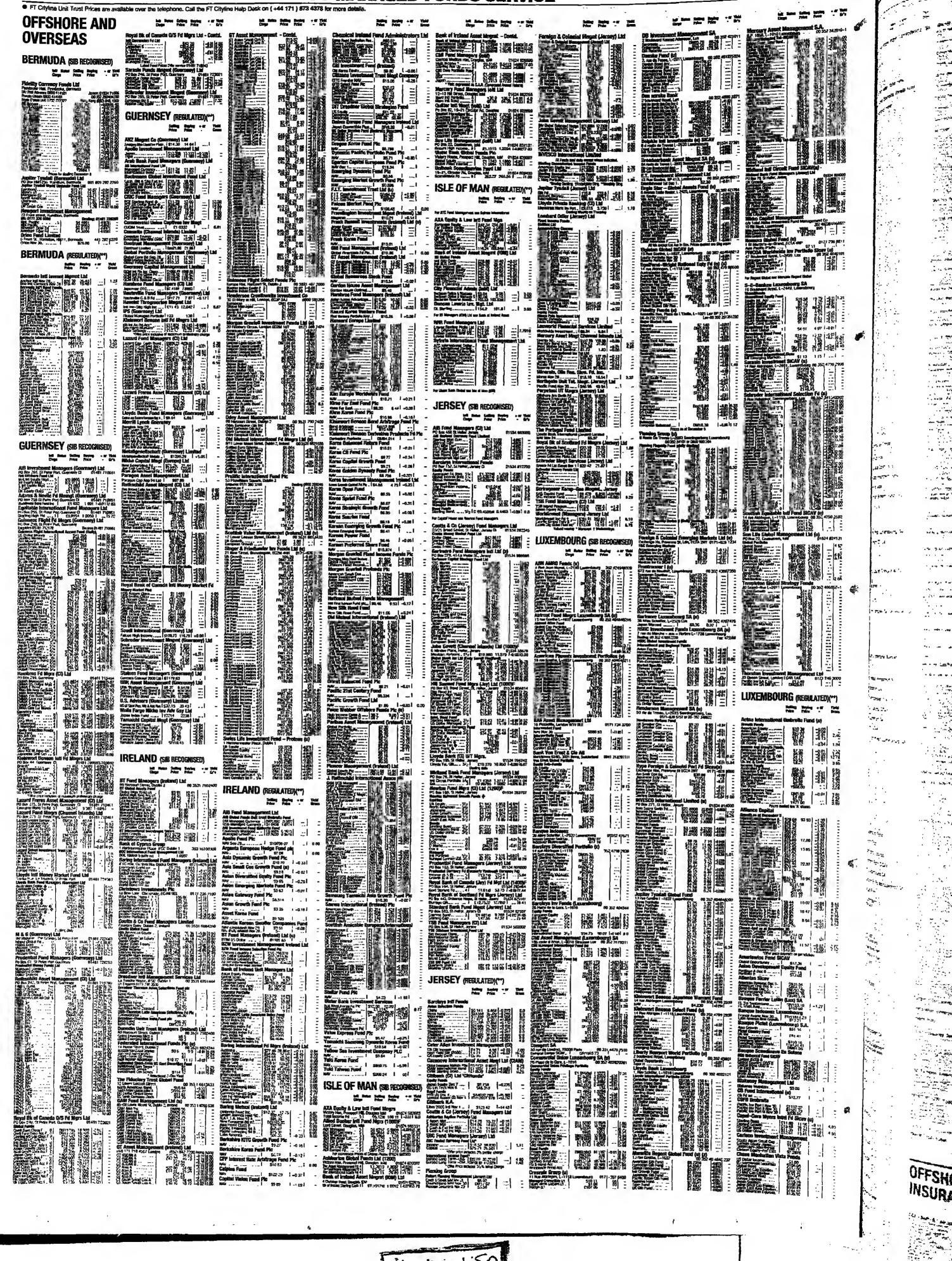
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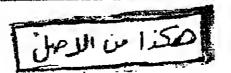
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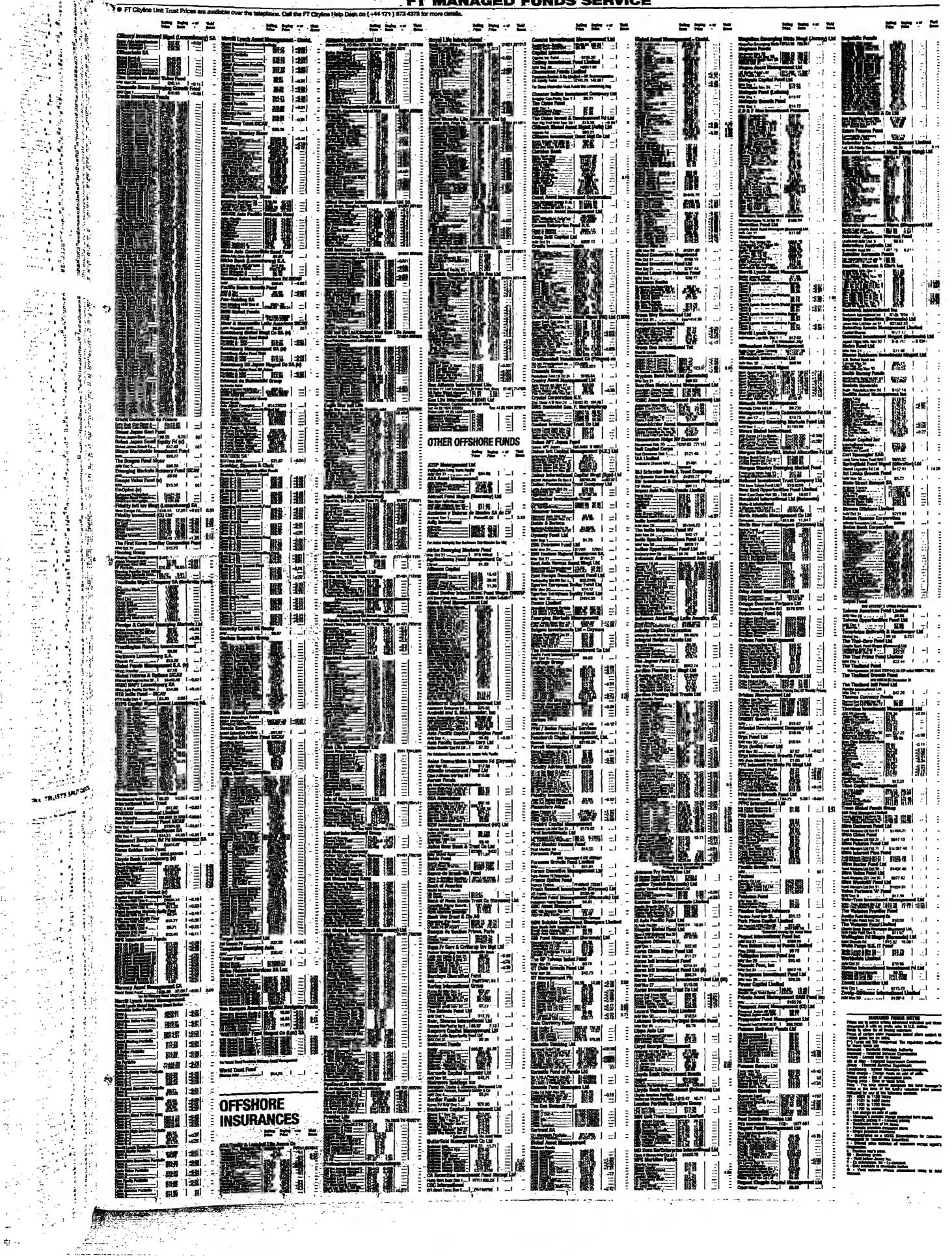
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#### LONDON STOCK EXCHANGE

MARKET REPORT

## Footsie marginally easier after volatile session

By Stephen Thompson, **UK Stock Market Editor** 

A resolute showing by gilts, in the face of another disappointing gilts auction, plus yet another record hy Wall Street, helped London's equity market regain its equilibrium after a volatile trading session.

Earlier, London had moved higher, driven hy Wall Street's overnight 37-point jump, and some encouraging company news, but then retreated in the wake of the news of the gilts auction and a sharper than expected fall in indus-

trial output during October. The FT-SE 100 index closed a net 1.4 off at 3,662.6, while the FT-SE Mid 250 lost 9.4 at 3.959.9, hurdened by poor preliminary results from NFC, the transport group.

Dealers said London was also suffering from a bout of indigestion triggered by the government's sale on Tuesday of its remaining stake in British Petroleum, which took some £500m out of the marketplace.

Additionally, some of the large speculative positions built up in recent sessions as takeover talk has spread around the City's trading desks were said to have heen unwound yesterday.

"The market has felt heavy for a couple of days and really needed some help from gilts today," was the view of one senior trader.

Another said London was becoming increasingly volatile, "always a danger signal". He warned, however, that marketmakers were still short of stock and would eventually have to cover those shorts if Wall Street continued its startling upside performance. "I think there is one last sharp upward move in the market before Christmas," he added.

In the background, international markets continued to reflect a growing feeling that a round of interest rate cuts is on the cards this month, possibly starting in the UK where the regular monthly meeting between the chancellor of the exchequer and the governor of the Bank of England takes place next

Wednesday. The Bundesbank council meets the day after and the US Federal Reserve Open Market Committee on December 19.

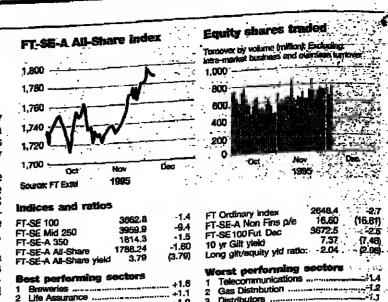
The London session began on a huoyant note, with dealers marking prices higher in response to the record on the Dow Jones Industrial Average and a number of impressive company reports.

Bass, the UK's aecond-largest hrewing group, pleased the market with top of the range preliminary numbers and what was said to have been an impressive post-results meeting with analysts. And there was relief that the much rumoured hld for Ladhroke did not materialise. Bass shares were only topped in

the FT-SE 100 performance table by Rank Organisation after a hullish trading npdate which said prospects for Rank were better than at any time in the 1990s to date.

On the downside, Inchcape remained depressed ahead of the expected demotion from the FT-SE 100 index, one of a long list of constituent changes which featured the elevation of two leading retailers, Argos and Burton.

Turnover at 6pm was 703.9m shares, with non-FT-SE 100 stocks accounting for 59 per cent. Customer husiness on Tuesday, inflated by the £500m BP bought deal car-ried out by SEC Warburg, was val-



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#### **BT** slide gathers pace

BT must he wondering whether it should be adopting its own television advertising slogan.

In spite of suggesting that "it's good to talk", the company appears to be at loggerheads with Oftel, the relevant

regulatory authority, Meanwhile, the share price has plummeted as analysts fret over the prospects for future earnings and dividend growth for the company. Yesterday BT tumbled 13 at worst on turnover of 24m shares. Over the past three trading days the company has lost more than 7 per cent of its capitalised

The most recent savaging was a delayed reaction to the consultative document issued hy Mr Don Cruickshank, the regulator, on Monday. Comments linking the cost of capital with the company's returns were interpreted as a signal that the current price cap formula - the retail price index minus 7.5 per cent – will not

be relaxed. This is compounded by fear that the whole saga will rumhle on for a year and a half and then end up in the hands of the Monopolies and Mergers Commission.

As a result, ABN Amro Hoare Govett finally ahandoned its support for the company on the basis of the regulatory concern and moved to a hold recommendation - often

RAND MINES (Registration No. 01/00/656/06)

viewed as "brokerspeak" for a

Also, Lehman Brothers, the US hrokerage, turned more negative and dropped its dividend growth forecast from 5 per cent to 3 per cent for the next three years.

The shares ended the day only 6 off at 352p.

Rank pleases

Leisure giant Rank Organisation was the day's star performer after it cheered the market with a positive trading

The company said the trading outlook next year was more favourable than over the last few years, which prompted active buying of the stock.

The stock appreciated hy nearly 4 per cent as it advanced 16 to 425p, making it the session's best performing issue. Volume had reached 3.9m shares hy the close.

Mr Bruce Jones at Merrill Lynch said: "This is the first leisure company to exceed expectations on its trading statement for some time; it is very encouraging indeed."
Analysts at Kleinwort Ben-

son were also positive and said: "As the new opening programme accelerates and like for like comparisons from March 1996 (full year after scratch cards) take place, the outlook for the managed business longer term looks encouraging and we retain our long term positive stance."

#### Bass firmer

RAND MINES

Partial unbundling - Distribution of Shares in

Ingwe Coal Corporation Limited ("Ingwe")

NOTICE TO HOLDERS OF RAND MINES

SHARE WARRANTS TO BEARER

Holders of Rand Mines share warrants to bearer are referred to the announcements published in the press on 6 October 1995 and

6 November 1995. To claim their entitlement to shares in Ingive and,

where applicable, their entitlement to the cash proceeds arising from

a fraction of an inciwe share such holders are required to surrender coupon no 116 detached from share warrants to bearer together with

Barclays Bank PLC

Global Securities Services

London Counter Services

8 Angel Court, Throgmorton Street

MUNICON EC2R 7HT, England

100 shares in Rand Mines and so in proportion for any lesser of

greater number of shares held in Rand Mines. The cash proceeds in respect of a haction of an ingree share will be paid in United (längdom)

currence is symmetric to respect of fractional entitlements will arise only

representing the denomination of four Rand Mines shares will entitle

payment in respect of 0.2 of an ingwe share. This environment mill apply regardless of multiples of such coupons succendered for

Ingive share destrictates and it was applicable, cheques in respect of

fraction payments will be issued seven business days after surrender

The distribution is subject to the terms and conditions set out in the

Parclava Banit PLC Comue Laffine, Paris 75315, Franco

Court, Thiographics Street, London ECCR ThT, England

Viaduti Corporate Services Limited

Jaied: 8th December, 1995

circular to starsholders of Rand Mines dated 13 October 1995. 2

copies of which are available from the abovementioned office or from

lusting and surrender forms are available only from Bardays Bank 🗗

FUC Global Securices Services London Counter Services, 6 Angel

Following the sub-division of Rand Mines ordinary shares with effect from 22 November 1993, in terms of which the Rand Mines

ordinary shares of R1 each were sub-divided into ordinary shares

of 25 cents each, share warrants to bearer were recalled for the

purpose of overstamping to endorse them with the new nominal

value of ordinary share warrants to bearer. The original

denominations of 1.5.10, 20 and 25 ordinary share warrants to

bearer are now, therefore, in denominations of 4, 20, 40, 80 and

the holder thereof to five shares in lingue together with a fraction is

in respect if a share warrant to bearet in the denomination of four vi Rand Mines ardinary snated (see note below). Each coupon no. 116

Ingwe snares will be issued in the ratio of 130 ingwe shares for every - 🥞

a duly completed listing and surrender form (in duplicate) to

LIMITED ("Rand Mines")

Better than expected figures from Bass sparked a wave of profits upgrades from brokers and sent the shares sharply towards the top of the league table of the day's best Footsie

Full-year profits came in at £599m, against market expectations of between £588m and £591m. The shares soared on the news and closed 26 up at 695p after trade of 3.4m.

Analysts were also encouraged hy the group's positive outlook, including news that it was hopeful that next week's government review on betting rules will henefit its leisure

Analysts at Kleinwort Benson were among a long list of hrokers cheered by the results. They were particularly pleased by the "good improvement in cash flow and the second half performance in both pubs and hrewing". They lifted their current year estimate by £20m

In the rest of the sector, Allied Domecq improved 5 to 494p following news that Sir

Christopher Hogg, one of the UK's most respected husiness leaders, is to become chairman of the company next spring.

Banking shares were easier as bid premium in a couple of stocks faded away. However, National Westminster held up for most of the day on renewed hopes for the sale of its US Bancorp unit and after Cazenove, the stockbroker, was said to have recommended the stock. The shares, up 12 at best, gradually declined hut closed only 3 off at 669p. This compared with perceived takeover candidates Royal Bank of Scotland, which fell 13 to 559p, and highly rated Standard Chartered, off 16 at 588p.

Midlands Electricity jumped 18 to 983p on further consideration of its £200m package of shareholder payouts.

Carlton Communications

improved after revealing a 30 per cent rise in profits to £246.7m, above the top end of

HANCIAL	THES	EQUITY	INDICES
	Dag 0 D	- E Dan 1	Dan 1 Main

	Dec 8	Dec 5	Dec 4	Dec 1	Nov 30	Yr ago	"High	"LOW
Ordinary Sha	re 2648,4	2651.1	2660 0	2670 S	2666,4	2318,7	2676.1	2238,3
Ord, div. yield	4,05	4,05	4.04	4.04	4.05	4.51	4.73	4 02
P/E ratio net	15.89	15.89	15.91	15.85	15.80	17,52	21.33	15.35
P/E ratio nal	15.72	15.72	15.73	15.78	15.70	17.08	22.21	15.17
For 1995, Order FT Ordinary Sha				high 271:	1.6 2/02/SH	l; low 49.4	26/6/40	

Open	8.00	10.00	11,00	12.00	13,00	14,00	15.00	_16.00	HBgh	Low
2657,3	2654.0	2644.5	2639.8	2641.3	2641,5	2643,6	2650.3	2645,1	2659.4	2639.1
			Dec 6	De De	c 5 _	Dec 4	Deq	1 N	ov 30	Yr ago
SEAQ b	agams		27,90	5 31	,069	32,729	30,5	92 2	8,016	18,293
Equity b.	mover	(2m)†		- 27	84.7	1534.7	217	6.8 1	842.9	12112
Equity b	argainst			. 38	492	40,000	36,4	19 3	4,238	25,255

M London m	arket da	ta		
Rises and falls*		1995 Highs and	lows	LIFFE Equity options
Total Rises	647	Total Highs	189	Total contracts
Total Falls	537	Total Lows	55	Caks
Same	1,687			Puts

Dec. 8 'Data based on Fourty shares listed on the London Share Service.

## RAND MINES (Femalestan No 01/00558/06)

RAND MINES THATTED ("the Company")

Fulfilment of conditions precedent to the partial unbundling of the Company ("the unbundling")

Further to the announcement of Tuesday, 7 November 1995, UAL ferchant Bank Limited is authorised to announce that the reduction of the Company's share premium account in terms of section 84 of the Companies Acr. 1973 was duly confirmed by the Supreme Court of South Africa (Witwatersrand Local Division), and all special resolutions passed at the general meeting of the Company held on Monday. November 1995, together with the Order of Court confirming the reduction of the share premnun account, have been registered by the Pegistrar of Companies Accordingly, all conditions precedent to the belifted need wan sized gallbruidau

As the Company's chareholding in Ingwe Coal Corporation limited Ingwe ) will be reduced from 99 049 833 shares to 17 166 667 shares as a result of the unbundling and the sale of 4 349 679 shares to fund the payments due on the redemption of the Company's preference shares. shareholders should anticipate a decrease in the Company's share price on Monday, 11 December 1995, the effective date of the unbundling.

Registration date Shareholders are remanded that the last date for registration as an ordinary shareholder of the Company in order to participate in the unburiding is Finday, 8 December 1995. An amoundement for holders of mare warrants to bearer will be published separately in the United Ringdom and France today.

Posting of share certificates and cheques Shape certificated in tespect of linguie ordinary shapes and cheques in settlement of fractional entitlements, where applicable, tall be posted to shaleholders on Friday 15 December and Friday, 23 December

Odd-fot holdings Untimate shareholders with wish to dispose of odd-fots of ingive shares

held pursuant to the trabunding should request their brokers to contact Smith Berlinin, Pare (Prv) IIId or Fergussion Bios Lamited in South Africa who will make arrangements for grading in odd-lots on The Johannesburg. Stock Exchange at parity to the relevant ruling mathet price (i.e. on the back that there is no discount or premium on the quoted prices for a period of three "eern from identity 8 january 1996 to the close of trading on Enday 35 january 1996. Smuth Bolthum Harry (Pty) Lid and Fergusson. Bios. Limitos vali auto en teavour to accommodate ordinary sharenolders who with the angure additional shares in order to increase their odd-lot holdings to multiples of 100 shares.

Merchant Banker UAL Merchani Bank Limited 100 Main Street, Johannesburg 2501, Republic of South Africa. Sponsoring Brokers

PT. PABRIK KERTAS TJIWI KIMIA US\$75,000,000 7.25 per cent. Convertible Bonds

due 2001 (the "Bonds")

NOTICE IS HEREBY GIVEN pursuant to Condition 6(C) of the Terms and Conditions of the Bonds, that following the resolution passed at

and Continuous 6 time section of the shareholders extraordinary general meeting, held on October 6, 1995, to issue 260,055,823 common shares, the Conversion Price for the Bonds has been amended as per Clause 7(A) of the Trust Deed

ituting the Bonds, and with effect from 20th November 1995 will

Smith Borkum, Hate 📆 🛍d PO Sct: 5591 Johannesburg 2000 Republic of South Africa Registered Office:

be Rp. 2.731 per Share.

December 7, 1995, London

**London Principal Paying Agent** 

Johannezburg 2000 Republic of South Africa United Kingdom Secretaries: Viaduct Corporate Services Langed 21 Chaplin Road, Illoro 2199 19 Charterhouse Street London EC1 60P Republic of South Africa 7 December 1995

I € Charlethouse Street, London ECTN 60P 7 December 1995

KASUMI CO., LTD. Issued in conjunction with U.S. \$100,000,000 % per cent. Guaranteed Notes due 1997

Notice is hereby given that on 1st December, 1995 the average clusing price per chare of common stock of the Company, for the five consecutive trading days up to and including that date, multiplied by 1,025 and rounded upward to the nearest one Yea was less than the Subscription Price in effect on such day by not less than one Yea, and that therefore, in accordance with Condition 21(4) of the Terms and Conditions of the Warrants (Downward Revision), the Subscription Price of the Captioned Warrants is to be revised

1 Subscription Price before revision: bscription Price after revi: 3. Effective Date of revision: 18th December, 1905 Uzpon time!

¥1,050.90

By: THE SANWA BANK, LIMITEO

as Principal Paying Agent

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CITIBANCO

ally firmer at 168%p in the wake of a recommendation from NatWest Securities. Vymura, the wallpaper and paints group, plunged 34 to 105p after a profits warning. It said earnings would be down on the second half because of flat sales, difficulty in recovering raw material price rises

analysts' forecasts, and an

increased final dividend. Ana-

lysts were moving up forecasts

for the year to September 1996 to around £280m and the

Internationally traded com-

panies ran no on the rise and

rise of Wall Street. Glaxo Wellcome got an extra lift from talk

of a new fin treatment and

closed 61/4 better at 9051/4p. The

oil majors, hig international

plays, rehounded from the

stock indigestion caused by the

placing of the UK govern-

ment's 1.8 per cent stake in BP.

7 better at 524p. Shell Trans-

port rose 51/2 to 8201/sp. BAT

Industries, restrained earlier hy worries of a clash with

institutional shareholders,

Oil exploration and produc-

tion stock Lasmo was margin-

recovered to end 3 up at 564p.

shares rose 3 to 1003p.

and higher support costs, But it pledged to hold the dividend. Psion, the computer manufacturer, tumbled 70 to 765p after losing one of its marketmakers. With only one marketmaker left the company must find another one or lose its screen-based quote.

Inchcape remained friendless as it was announced that the stock was being ejected from the premier FT-SE 100 listing. The shares fell 19 to 217p, the day's worst performer in the index, leaving dealers to wonder if the stock will have a better time in its new home in the FT-SE Mid 250 index. Diversified industrials group

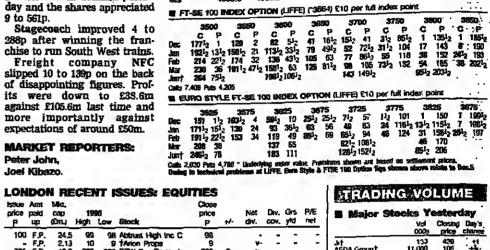
Williams Holdings gained 7 to 331p after SBC Warburg turned a buyer of the stock. The hroker said: "Williams' derating has gone too far. Security prod-

significant growth potential. whilst any improvement in the industry background for building products could lead to a sharp uplift in profit esti-

Retailer Argos, which will soon take up its place in the Footsie was in demand yesterday and the shares appreciated 9 to 561p.

Stagecoach improved 4 to 288p after winning the franchise to run South West trains. Freight company NFC slipped 10 to 139p on the back of disappointing figures. Profits were down to £35.6m against £105.6m last time and more importantly against

MARKET REPORTERS: Peter John,



**FUTURES AND OPTIONS** 

3950.0 3950.0

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

Sett price Change

# FT-SE MID 250 INDEX FUTURES (LIFFE) \$10 per full index point

FT-SE 100 INDEX OPTION (LIFFE) (\*3664) £10 per full index point

-2.5 -2.5 -1.5

LONDON RECENT ISSUES: EQUITIES 98 Abbrust High Inc C 9 †Arion Props 285 BZW Egs Bernuda 101 Bensleta & Rea 298 CMG 26 Cash Conventers 18 †Celebrated Grp 150 Convention 99 10 303 103 347 29 19 Rv5,8 2,1 4.8 12.5 150 Cortworth 108 Cox Insurance 448 East Surrey NV 160 110

Mineral Extraction

FT GOLD MINES INDEX Year Gross div Gold Mines Index (34) 1923.14 +1.3 1898.63 1828.53 21 61 3191 21 2272.74 37.05 2607 57 1788.20 49.50 1831.00 1346.18 Africa (16) 2368.96 -2.7 2434.19 2411.40 2.08 1725.89 +1.7 1697.26 1417.00 0.78 North America (12)

Times Limited, Pigures in brackets show number of companion. Basi 31/12/92, † Parint, Litest proces were crevaliable for this addition. ucts and Fire protection offer المالية Dec 6 chge% Dec 5 Dec 4 Dec 1 FT-SE 100 FT-SE Mild 250 FT-SE Mild 250 ex law Trusts .... 3654.2 9693.7 3690.4 3012.5 -0.2 3969.3 3969.1 3963.7 3425.3 -0.3 3963.2 3963.5 3961.0 3421.2 -0.1 1815.8 1817.9 1821.5 1509.1 ..... 1809.8 1812.8 1819.4 1514.3 -0.1 1826.7 1827.9 1828.4 1465.1 3 92 3 49 3.63 5.63 4.84 2.79 2.03 1.85 1.92 2.04 1.84 2.40 15.24 136 05 1457.19 19.34 139 17 1548.42 18.00 146.19 1655.08 15.98 66.57 1475 90 14.02 81.47 1220.10 18.66 50.44 1240.16

FT-SE-A 350 Lower Yield	1824,4	-0.1	1826.7	1827.9	1828.4	1465.1	2.79	2,40	18.66	50.44	1240.16
FT-SE SmallCep	1950.89	-0.2	1954.21	1954.26	1952.43	1751.26	3.31	1,71		59.25	1574.88
FT-SE SmallCap ex Inv Trusts	1929.60	-0.2	1933.57	1934.57	1932 81	1718.04	3.54	1.79		62,12	1565.99
FT-SE-A ALL-SHARE	1788.24	-0.1	1783.84	1791.78	1794,95	1495.82	3.79	2.02	16.30	64.77	1478 45
FT-SE Actuaries All-	Share										
		Day's	-1		-70.4	Year	Div.	Net		Xd adj.	
	Dec 6	chge%	Dec 5	Doc 4	Dec 1	ngo	yieki*	cover	LEIDE	ytd	Return
10 MINERAL EXTRACTION(23)	3155 87		3142.49				3.70	2 02	16.74	116.67	1332.20
12 Extractive Industries(7)	4270.17		4282.49				3.47	2.51			1224 35
15 Oil, Integrated(3)	3195.57		3162.74				3.85	1.96	18 60	123 19	1378.50
16 Oil Exploration & Prod(13)	1982.49	<u>-0.1</u>	1984.26	1352.79	1936,13	1826 4S	2.53	1.49	_ 33 00	49.98	1176.74
20 GEN INDUSTRIALS(277)	1921 26	-0.1	1923.52	1931.98	1939 49	1829 47	4.32	1.89	15.30	75.47	1028.49
21 Building & Construction(38)	1013.12	-0.1	1013 86	1011 55	1006.45	967.87	4.00	2.01		38 55	833.24
22 Building Metts & Merche(31)	1772.14		1772.89	1771.48	1790,53	1763 20	4.16	2.04	14,69	67.66	876.53
23 Chemicals(23)	2348.89		2355 29				4.18	1.87	16.01	94,71	1093.33
24 Diversified Industrials(20)	1730 50		1726.42				5.73	1.56	13.95	88.20	940.83
25 Electronic & Elect Equip(36)	2064.13		2079 48				362	1.99	17 37	62 12	1052.46
26 Engineering(68)	2153.88		2155.03				3.50	2.38			1288,14
27 Engineering. Vehicles(13)	2438.26		2450.06				3.85	1.17		93.56	1242 23
28 Paper, Pokg & Printing(27)	2457 67		2458.12				4 <b>0</b> 8	2 50		95 28	100€ 17
29 Texteles & Apparel(21)	1459 36	<u>-04</u>	1465 45	1470.56	1470.94	1542.83	4,91	1.84	13.87	70 54	874.45
30 CONSUMER GOODS(89)	3604.56	+0.5	3586.19	3555.02	3564 14	2704.57	3.75	1.81	18 39	128 84	1305 63
31 Brewands(17)	2763.89		2721.00				3.67	1.94		68.65	1295.73
32 Spints, Wines & Ciders(9)	2775.81		2763.65				4 38	177		125.01	382.36
13 Food Producers(24)	2548.35		2556 60				3.96	1.85	17.05	93 70	
4 Household Goods(11)	2589.81		2593 04				3.70	2 13	15.68	90 95	372.30
6 Health Care(17)	1941,28		1946.69				2.72	1 79	25.70	49.33	1165.10
37 Pharmaceuticals(10)	5157.75		5118 44				3.20	1 70	22.97	162.31	1722.63
38 Tobacco(1)	4773.34	-0.4	4752.15	4692 <u>87</u>	4722.52	3632.47	5 02	134	12.61	229 23	1154.81
O SERVICES(227)	2209 55	-03	2218.31	2213,14	22 18.20	1865, 17	3 05	2.10	19.52	66.09	1131.3B
1 Distributors(SU)	2480.72	-1.1	2500.05	2517.92	2512.37	2530 35	4.05	1.77	17,43	98 to	99161
Q Leisure & Hotels(30)	2541 72		2626.48				3.06	1.90	21.46	73 87	1353 16
13 Media(43)	3511.05		3594.38				2.04	2.37	25,78	79.91	1277 44
I4 Retailers, Food(16)	1942.83		1950.95				3.74	2 39		67.62	1213 53
15 Retailers, General(44)	1871 27		1871.46				3 17	2 27		53.68	1054 36
8 Support Services(37)	1848 90		1860.88				2.50	2.52		42 02	1181.85
49 Transport(20)	2175.51		219232				4.01	1 30	23.96		893 40
1 Other Services & Business(7)	1119.27		1127,95			_	4.21	153	18 37	48.21	1010.S7
O UTILINES(35)	2447,61		2465.37				4 84	2 04	12.70	112.84	1006.89
2 Electricity(13)	2815.11		2806 39				421	2.74			1270 99
4 Gas Distribution(2)	1544.68		1563 68				1.76	1.04	15.49	119 82	774.99
66 Telecomenunications(7)	1983.02		2011.26				4.26	1 74		58.90	
58 Water(13)	2116.60		2123.23				5 60	2.84	8.47	100.76	1133.54
9 NON-PINANCIALS(851)	1880.94		1880.95	1883 <u>91</u>	1897.87	1613 99	3 85	1.96	16.60	69.41	1397.60
TO FINANCIALS(113)	2915.00	-0.5	2929 16	2930.02	2932.62	2129.76	3.84	243			1218.27
71 Banks, Retail/9i	4138.59	-0.9	4174.40	4171,25	1160.66	2841 17	354	2.80			1305.31
72 Benks, Merchantifol	<b>3</b> 61 <b>3.</b> 55	-O 1	3618.76	3608.79	3598.52	2859.26	2.58	2 4 1			1131.74
3 Insurance(25)	1455.87	-02	1459.09	1468.16	1498.50	1172 84	5 06	2.68	9.72	71 13	1066.68
74 Life Assurance(6)	3485 54		3447.11				4.00	1 53	20.3R	136.72	1420.02
7 Other Financial(22)	2419 77		2426 07 3				3.70	1.95			1352.22
'9 Property(45)	1400.05	-0.3	1404.90	1404.68	1403 35	1 158,46	4.46	1.35	20.81		843.94
30 INVESTMENT TRUSTS(133)	2998.60		2999.46	762 96	2979.76	2695 39	2.24	1 05			1035.32
9 FT-SE-A ALL-SHARE(897)	1788,24	-0.1	1789 84	1791.78	1794.95	1495.82	3 79				
	1102.50		1102.07					2.02			1478.45
i-SE-A Fledgling I-SE-A Fledgling ex lay Trusts	1102.33		1104.57	<del>-</del> -		-	2.87	1.27		31.63	1137.34
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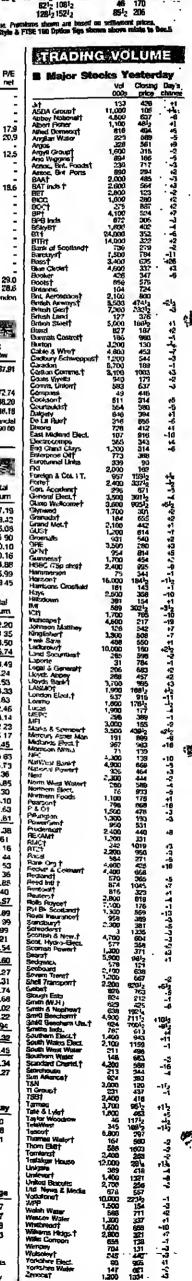
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	Open	9.00	10.00	11.00	12.00	13.00	14.00	15,00	16.10	High/day	
FT-SE 100 FT-SE Med 250 FT-SE-A 350	3669.7 3968.3 1817,8	3663.1 3967,3 1815.1	3653.4 3961 6 1810.8	3648.3 3958.8 1808.7	3650,4 3957,3 1809,2	3650.3 3956 7 1809 1	3652.9 3957.2 1810.2	3663.9 3958.5 1814.6	3661,3 3959,3 1913,6	3672.8 3969.2 1819.1	3647,0 3956.8 1808.1
Time of FT-SE 100 Da	ny's hight 8.38	kem Day's k	w: 1103an	L FT-SE 10	1995 High	. <b>3680.</b> 4 (1/	121 Low 29	542 Q31).			

■ FT-SE Actuaries 350 Industry baskets

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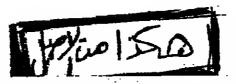
Additional information on the FT-SE Actuation Share inclined is published in Saluntian resures. Lets, of constitutions are available from the Financial Times. Limited, One Southwark Bridge, London SE1 98L. The FT-SE Actuation Share inclined Service, which covers a simple of inschoolic and paper-based products retaining to move endotes, it assistable from FMSTAT, Fitmay House, 13-11 Egrectin Stans, London E/24, 40L.

The FT-SET of the Service and paper-based brighted by the FT-SE 100, her FT-SE 10



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Financial Time

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## Bond market gains lead US stocks higher

#### **Wall Street**

US share prices rallied in early trading yesterday as the bond market soared, but atocks proved unable to hold all their gain amid uncertainty about the strength of the economy next year, writes Lisa Bransten

The Dow Jones Industrial Average shot through the 5,200 mark in the first 15 minutes of trading, rising as much as 31.80 points to 5,309.25, but by 1 pm the index of blue chip shares had retreated to a rise of 10.12

The Standard & Poor's 500 also moved sharply higher at the beginning of the session and then moved off its high by 1 pm when it was 0.81 stronger et 618.49. The American Stock Exchange composite shed 1.04 to 538.37. NYSE volume was heavy at 247m shares.

Gains were led by the bond market, where a weak index of leading economic indicators sent the price on the long bond sharply higher, causing the yield to move below 6 per cent and hold that level for the first time in more than two years.

Reserve to lower interest rates. were stronger yesterday. JP Morgan, which is a component of the Dow, added \$% at \$81%. Chase Manhattan Bank was \$1 stronger at \$631/4 and Nations-Bank rose \$1% et \$73%.

Also strong were producers of consumer products that tend outperform other companies in periods of slow economic growth. In the Dow, Eastman Kodak added \$1% at \$67%, Philip Morris was \$1 stronger at \$30%, and Proctor & Gamble was \$% stronger at \$87%.

Meanwhile the technology sector continued to retrace the sharp gains made on Monday. The Nasdaq composite shed 5.68 at 1,060.21 and the Pacific Stock Exchange technology index gave up 1 per cent.

Elsewhere, Gucci jumped \$1% at \$38 after reporting an 85 per cent increase in third quar-ter sales late on Tuesday. Also, analysts at Morgan Stanley and CS First Boston put buy ratings on the company's

#### Canada

Toronto remained in record Financial groups, which territory in midday trade,

weakness led the Federal stocks, with the TSE-300 Composite index 19.27 higher by noon at 4,741.92 in hefty volume of 42.8m shares.

Placer Dome, the gold glant, rose C\$% to C\$35% in heavy trade as Comex gold rose more than \$1 in mid-morning trade. Methanex shares rose C\$% to C\$10% as investors continued to position themselves ahead of the December 29 expiry of the methanol producer's instal-

Avenor gave np C\$% to C\$24% as it said that it would acquire the rest of Pacific Forest Products at C\$18 a share. Pacific Forest forged ahead C\$2% to C\$18%.

Gandalf Technologies rose another C\$% to C\$22% on expectations of a good profits announcement.

#### **SOUTH AFRICA**

ment receipts.

Johanneshnrg'a industrial shares soared to another record close, while gold issues also showed healthy gains. The overall index jumped 161.8 to 6,147.7, industrials climbed 92.4 to 7,815.7 and golds added 35.8 at 1,350.1. Financials also performed well, with Standard Bank ris-

## Ciba hit by report of tests on new drug

Firmer US bonds encouraged to SFr94.50 after Tuesday's ZURICH and the SMI index warning that the company edged ahead 3.0 to yet another all-time high of 3,281.5.

Ciha, however, dropped SFr28 to SFr1,018 on news that it had halted enrolment of patients for phase 3 trials of its Selfotel stroka and head trauma treatment, after an independent review by the international Data & Safety Monitoring board expressed

concern about the treatment. Mr Mark Tracey at Goldman Sachs described the news as disappointing. However, he maintained his earnings forecasts and the company's out-

performer rating.
Mr Tracey added that the news about Selfotel, coming on top of last month's setback for Ciba's blood clotting drug Revasc, might well prompt the management to consider a significant pharmaceutical acqui-

Sandoz, up SFr11 to SFr1,016, was e beneficiary of swapping out of Ciba.

UBS, SFr12 aheed at SFr1,247, outpaced tha other bank shares as it continued to make up ground surrendered last week after its nine-month news conference. Insurers fea. tured a SFr16 advance to

Oerlikon-Bührle lost SFr3.50

warning that the company would not match last year's profits in 1996.

PARIS continued the rebound begun on Tuesday as the market liked the government's firm response. This resulted in a further gain in the CAC-40 index of 19.88 to 1.834.75

Brokers were generally relieved that Prime Minister Alain Juppé had given a commitment to press ahead with reform of the social welfare systam, although there remained many problems

There was also e rumour, officially denied, that the French and German governments would more closely link the franc and the D-Mark. There is a Franco-German summit in Baden-Baden today. Bouygues featured with a

fall of FFr13 to FFr522 as tha company said that two of its executives had been pleced onder investigation in connec tion with e probe into public works contracts. FRANKFURT, slightly

and Japan Tobacco declining Y3,000 to Y897,000.

pany, rose Y20 to Y550. Inves-

tors were encouraged by the

company's active involvement

in the information business,

including its 50 per cent stake

In Osaka, the OSE average

rose 86.52 to 20,403.27 in vol-

Heavy foreign demand took BANGKOK higher for the third consecutive day and the SET index jumped 21.31 or 1.7 per

cent to 1,275.63 with finance

and banking issues at the cen-

day in a row, with steadily

SEOUL also rose for the third

ume of 254.6m shares.

Roundup

tre of attention.

in Nifty, an Internet server.

Nissho Iwai, the trading com-

higher in quiet floor trading on support from stronger bond prices and a firmer dollar, moved up e little more in the electronic eession. The Dax ended at 2,267.18, up 6.19, while

FT-SE Actuaries Share Indices THE EUROPEAN SERIES 10.30 11.00 12.00 18.00 14.00 15.00 Gloss FT-SE Europrack 100 1455-46 1456-26 1455.65 1467.68 1468.12 1467.66 1462.28 1464.49 FT-SE Europrack 200 1561.73 1562.65 1561.17 1562.82 1563.17 1565.46 1568.36 1569.89 Nov 50 Dec 1 Dec 4

the Ibis closed at 2,274.94. Turnover was DM6.6bn.

BMW recovered a little in the post-trading; having been off DM8 at DM756.50, tha shares closed at DM761.90. The company was still feeling the effects of e report, which it denied, that it might have to recall some of its vehicles.

MILAN enjoyed a calmer political atmosphere and was supported by a sharp rise in domestic bonds and the lira after news of e government amendment to its 1996 budget to scrap the withholding tax for non-resident bond holders. The Comit index clawed back 5.52 of recent losses to stand at 553.31 while the real time Mibtel index rose 133 to

Fiat, under pressure in recent weeks, picked up L117 to L4,888 as analysts pointed to recent encouraging news about

crucially important Brazilian market. Olivetti improved L11 to L1.088 after the company said

that it would start marketing its GSM telephone service from today. Trading in Olivetti rights ends today. Eni moved up L100 to 15,122, continuing the recovery which began on Tuesday, although the price was still below the offer price of L5,250 at which the shares began trading in Milan, London and New York

Generali, the insurer, rose L414 to L36,450 after Tuesday's confirmation that it expected e hetter 1995 result.

AMSTERDAM eet another record as international issues made strong progress amid scattered profit-taking elsewhere. The AEX index nudged forward 0.12 to 481.98, after a ion's high of 488.77.

On the downside the finan-

cials took in profit-taking: ABN Amro receded Fi 1.20 to Fi 71.10 and ING F1120 to F1105. On the upside Royal Dutch added F13.10 at F1211.50 and Philips ph dismiss F1 1.10 at FL 63.50, both on strong demand from US insti-

85m asbes BRUSSELS was beset by bond market turbulence which against T left the BEL-20 index down 3.77 at 1,505.79. Turnover dipped to BFr1.6hn from Tuesday's BFr2.4hn. Electrical stocks

fared the worst, with Electra-bel off BFr10 at BFr6,850. Trac-tebel lost BFr50 at BFr11,650. COPENHAGEN saw the KFX index hit a new high for the year as market sentiment was encouraged by the dollar and hopes for lower interest rates.

The KFX index made 0.35 to 105.47. Banks with heavy bond portfolios took comfort from a rise in bonds, with Den Danske Bank and Unibank both putting on DKr2 at DKr388 and DKr282 respectively.

ISTANBUL succumbed to profit-taking following an advance of 6.5 per cent over the last two sessions. The composite index retreated 1,021.12 to 40,863.08 as turnover plum-meted to TL8,570bn from Tuesday's TL12,410bn.

Written and edited by Michael Morgan and John Pitt

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## Brazil slips from opening rally

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

% Change % Change over week on Dec '94

+3.1 +6.7 +0.8 +0.0 +6.1 +0.5 •50.8 +4.3 +3.4 •1.3 +7.4 +5.1 -0.7

-3.0 -2.1 +0.5 -1.0 +1.6 -2.6 -2.4 -0.5 -7.3

Book are culculated at end-week, and eventy changes are percentage movement from the previous Fixing. Base date: Dec 1985-100 except those noted sich art: (1)Feb 1 1991: (2)Dec 31 1992: (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1891; (7)Nov 6 1992; (6)Sep 20 1990; (6)Nov 1 1991; (10)

With the performance of emerging markets in 1995 having been more than disappointing, down in excess of 12 per cent in dollar terms according to IFC data, does 1996 hold a better prospect, writes John Pitt.

The global strategy unit at ING Barings (Michael Howell, Angela Cozzini and Mark Clayton) believes so and claims to have found some positive early indications. For instance, the team says, the fund flow into certain US mutual funds appears from a

number of sources to have been picking up, and an estimated \$50bm is expected to come into the sector in 1996, some three times estimated 1995 inflows; "however, like 1995, we believe that more of this new money will be skewed towards the newer emerging

we believe that more of this new money will be skewed towards the newer emerging market regions of eastern Europe and Russia".

• Lehman Brothers, which went "overweight" in Turkey at the end of October, and then watched as the market fell nearly 24 per cent over the next month, remains positive. The broker forecasts that elections set for December 24 will go ahead on that date, in spite of constitutional efforts being made to have them cancelled. It is further encouraged by signs that an agreement on customs union with the European Union appears much more likely than hitherto. "We still think equity market valuations are extremely attractive in absolute and relative terms, with our yield gap indicating a 15 per cent real expected return above prevailing bond yields," says Lehman.

+5.2 -27.7

São Paulo remained up 1.6 per cent by early afternoon, baving jumped 2.4 per cent et the opening. The Bovespa index was ahead a net 691.11 at 43,502 as investors turned positive ebout the forthcoming privatisation of Light, the Rio de Janeiro utility. Turnover had reached

an unexceptional R\$130m. On Tuesday the senate committee approved a proposal to separate Light from its stake in Eletropaulo, which is São Paulo's power

The floor of the senate was scheduled to vote on the proposal today. Should the vote succeed

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Thailand Euro/Mid East

the National Development Bank would then set an auction date.

MEXICO CITY retreated from an early high and held to narrow gains in uninspired late morning trading. The IPC index of 37 leading shares was up 9.90 points at 2,676,66 after an initial spurt to 2,701.85 shortly following the opening bell.

Traders said the market was firm following a drop in domestic interest rates on Tuesday. BUENOS AIRES was slightly higher by midsession in keeping with a rally in government bonds. The Merval index rose 2.94 to 473.86.

1,174,27

1.453.04

2,376.84

96.78 134.43

118.61

362.81

382.18 178.91

116.05

186.76

Local currency terms
Dec. 1 % Change % Change
1995 over week on Dec '94

-1.4 +0.6

+3.8 -0.3 -3.6 -1.4 -0.3 -0.2 -5.8

+23.6

#### Tokyo

sold at the start of last month, as a laggard.

ties rose Y10 to Y2,080 on pur-

## Advancing Nikkei regains 19,000-point level

Tuesday's advance on Wall Street provided support and

ing the rise

A rise in the March Nikkei futures contract in Chicago on Tuesday eased fears ahead of Friday's December futures and options settlements. Although rolling them over, seemed to have subsided.

most heavily traded issue of the day, rose Y35 to Y781 and Oki Electric added Y36 at Y980. Sony surged Y120 to Y5,620 on buying by individual investors, who regard the stock, heavily

by the rising volumes on the stock market. Nomura Securichases by foreign investors and investment trust funds.

investors. Other former state owned companies were also lower, with East Japan Rail-

the Nikkei average closed above the 19,000 level for the first time since January 19, writes Emiko Terazono in

The 225-share index gained 188.33 or 1 per cent at 19,067.86. Overseas investors purchased large-capital steels and highechnology issues, while a rise in tha futures market also prompted technical buying. The index fluctuated between 18,888.80 and 19,118.07, with institutional profit-taking cap-

Volume increased to 450m shares from 398.5m. Brokeraga dealers and individual investors were also active. The Topix index of all first section. stocks rose 8.12 or 0.5 per cent to 1,510.38 and the Nikkel 300 put on 1.55 at 283.90. Advances outscored declines by 638 to 398, with 170 issues unchanged. In London the ISE/Nikkei 50 index firmed 3.67 to 1,306.48.

long arbitrage positions are at the chances of arhitrageurs liquidating them, instead of High-technology stocks were actively bought. Toshiba, the

Brokerage houses were firm as investors were encouraged

Nippon Telegraph and Tele-phone lost Y6,000 to Y848,000 on profit-taking by individual

S\$11.70 contributing about 7.8 points of the index's loss. thet investors were starting to shake off the effects of the HONG KONG was marked recent political scandals. The sharply down on rumours that composite index added 7.59 at Henderson Land planned a

The insurance sector was among the strongest movers. The sub-index climbed 3.9 per cent on expectations of good performances next year. Samsung Fire and Marine moved ahead Won21,000 to its upper limit of Won376,000...

SINGAPORE was dragged lower by a alide in Keppel, which was hit by negative sentiment after a recent report said tha group may face a S\$1.2bn levy from its proposed conversion of its shippard site

into residential development. The Straits Times industrial index declined 14.05 to 2.154.43. with Keppel's 50-cent fall to HK\$2bn to HK\$4bn placement.

The Hang Seng index dropped 76.48 to 9,898.89 in turnover

that slipped to HK\$4.1bn as Henderson tumbled HK\$1.30 to HK\$46.80. KUALA LUMPUR pushed through psychological resistance at the 1,000-point level in morning trade, for the first time since October 2, before investors began to lock in profits accumulated during the

past week. The composite index ended 4.19 higher at 995.76, but off the day's best level of 1,004.38. SYDNEY was weak after

futures faded in the afternoon

session and key leading stocks

again suffered profit-taking, leaving the All Ordinaries index to finish 4.7 softer at 2.198.6.

WELLINGTON was pulled down by a fall in Fletcher Challenge, after two Scandinavian timber companies cut their pulp prices. The NZSE-40 Capital index ended 16.49 off at 2,131.31 in light turnover as FCL shed 11 cents to NZ\$3.69.

MANILA defied some expectations that the market was due for a technical correction. with beavy demand for Philippine National Bank aiding the rise. The composite index put on 20.59 at 2,572.16 as PNB

jumped 20 pesos to 275 pesos. TAIPEI reversed an early advance after lata selling in the heavily weighted financial sector, and the weighted index finished 50.04 down at 4,722.93.

November 1995

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The Bank of Nova Scotia

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The Takai Bank, Limited

The Sanwa Bank, Limited Standard Chartered Bank The Sumitoma Bank, Limited

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Svenska Handelsbanken,

Wachovia Bank of Georgia, N.A. SBC Workung A DIVISION OF SWISS BANK CORPORATION

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